

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-40814

MODIV INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

47-4156046

(I.R.S. Employer Identification No.)

120 Newport Center Drive, Newport Beach, CA

(Address of principal executive offices)

92660

(Zip Code)

(888) 686-6348

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.001 par value per share	MDVA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2021, there were 7,394,256 shares of Class C common stock outstanding and 63,618 shares of Class S common stock outstanding.

Modiv Inc.
FORM 10-Q
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and we intend that such forward-looking statements be subject to the safe harbor provisions created thereby. For this purpose, any statements made in this Quarterly Report on Form 10-Q that are not historical or current facts may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “anticipates,” “believes,” “seeks,” “estimates,” “expects,” “intends,” “continue,” “can,” “may,” “plans,” “potential,” “projects,” “should,” “could,” “will,” “would” or similar expressions and the negatives of those expressions are intended to identify forward-looking statements. Such statements include, but are not limited to, any statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods.

The forward-looking statements included herein represent our management’s current expectations and assumptions based on information available as of the date of this report. These statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Readers should carefully review these risks, as well as the additional risks described in other documents we file from time-to-time with the Securities and Exchange Commission (the “SEC”). In light of the significant risks and uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that such results will be achieved, and readers are cautioned not to place undue reliance on such forward-looking information, which speak only as of the date of this report.

Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time-to-time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual future results to be materially different from those expressed or implied by any forward-looking statements. The following are some, but not all, of the assumptions, risks, uncertainties and other factors that could cause our actual results to differ materially from our forward-looking statements:

- The magnitude and duration of the novel coronavirus (“COVID-19”) pandemic including the recent spread of the Delta variant and its impact on our tenants, operations and liquidity is uncertain as of the filing date of this Quarterly Report on Form 10-Q and may continue to have an adverse impact on our business and results of operations.
- We may be unable to renew leases, lease vacant space or re-lease space as leases expire on favorable terms or at all.
- We are subject to risks associated with tenant, geographic and industry concentrations with respect to our properties.
- Our properties, intangible assets and other assets may be subject to further impairment charges.
- We are subject to competition in the acquisition and disposition of properties and in the leasing of our properties, and we may be unable to acquire or dispose of, or lease, our properties on advantageous terms.
- We could be subject to risks associated with bankruptcies or insolvencies of tenants or from tenant defaults generally.
- We have substantial indebtedness, and may incur additional secured or unsecured debt, which may affect our ability to pay distributions, expose us to interest rate fluctuation risk, impose limitations on how we operate and expose us to the risk of default under our debt obligations.
- We may not be able to extend or refinance existing indebtedness before it becomes due.
- We may not be able to attain or maintain profitability.
- The only sources of cash for distributions to investors will be cash flow from our operations (including sales of properties) or any net proceeds that result from financing or refinancing our properties.
- We may not generate cash flows sufficient to pay our distributions to stockholders or meet our debt service obligations.
- We may be affected by risks resulting from losses in excess of insured limits.
- We may fail to qualify as a real estate investment trust (“REIT”) for U.S. federal income tax purposes.
- Risks of security breaches through cyber-attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology networks and related systems, could adversely affect our business and results of operations.
- The trading price of our 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.001 par value per share (“Series A Preferred Stock”), may fluctuate significantly.
- Adverse macroeconomic conditions, including inflation, may affect (i) existing or prospective lessees' businesses and their demand for space, and (ii) conditions in the real estate and mortgage markets, and could result in declines in our income and asset values.

Our forward-looking statements contained in this Quarterly Report on Form 10-Q should be read in light of the risk factors identified above and the additional risks and uncertainties described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. We qualify all of our forward-looking statements by these cautionary statements.

PART I – FINANCIAL INFORMATION
Item 1 – Financial Statements

Modiv Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

Assets	September 30, 2021	December 31, 2020
Real estate investments:		
Land	\$ 67,340,810	\$ 65,358,321
Buildings and improvements	280,284,086	272,397,472
Tenant origination and absorption costs	23,784,332	23,792,057
Total investments in real estate property	371,409,228	361,547,850
Accumulated depreciation and amortization	(41,720,011)	(32,091,211)
Total investments in real estate property, net	329,689,217	329,456,639
Investment in unconsolidated entity	9,977,144	10,002,368
Total real estate investments, net	339,666,361	339,459,007
Real estate investments held for sale, net	—	24,585,739
Total real estate investments	339,666,361	364,044,746
Cash and cash equivalents	52,299,936	8,248,412
Restricted cash	2,410,951	129,118
Receivable from early termination of lease and sale of real estate property, respectively	1,966,767	1,824,383
Tenant receivables	7,346,948	6,665,790
Above-market lease intangibles, net	723,475	820,842
Prepaid expenses and other assets	4,779,024	2,171,717
Other assets related to real estate investments held for sale	—	1,079,361
Goodwill, net	17,320,857	17,320,857
Intangible assets, net	3,926,009	5,127,788
Total assets	\$ 430,440,328	\$ 407,433,014
Liabilities and Equity		
Mortgage notes payable, net	\$ 180,914,339	\$ 175,925,918
Mortgage notes payable related to real estate investments held for sale, net	—	9,088,438
Total mortgage notes payable, net	180,914,339	185,014,356
Credit facility, net	—	5,978,276
Economic relief note payable	—	517,000
Accounts payable, accrued and other liabilities	9,913,473	7,579,624
Share repurchases payable	1,348,911	2,980,559
Below-market lease intangibles, net	11,466,014	12,565,737
Interest rate swap derivatives	1,073,998	1,743,889
Other liabilities related to real estate investments held for sale	—	801,337
Total liabilities	204,716,735	217,180,778
Commitments and contingencies (Note 11)		
Redeemable common stock	750,000	7,365,568
7.375% Series A cumulative redeemable perpetual preferred stock, \$ 0.001 par value, 2,000,000 and no shares authorized, 2,000,000 and no shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively (Note 9)	2,000	—
Class C common stock \$0.001 par value, 300,000,000 shares authorized, 7,409,929 and 7,874,541 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	7,410	7,874
Class S common stock \$0.001 par value, 100,000,000 shares authorized, 63,548 and 62,860 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	64	63
Additional paid-in-capital	270,724,156	224,288,417
Cumulative distributions and net losses	(96,363,037)	(92,012,686)
Total Modiv Inc. equity	174,370,593	132,283,668
Noncontrolling interests in the Operating Partnership	50,603,000	50,603,000
Total equity	224,973,593	182,886,668
Total liabilities and equity	\$ 430,440,328	\$ 407,433,014

See accompanying notes to condensed consolidated financial statements.

Modiv Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Rental income	\$ 10,307,683	\$ 9,557,191	\$ 28,521,546	\$ 29,888,620
Expenses:				
General and administrative	3,674,187	2,522,719	9,832,940	7,447,082
Depreciation and amortization	3,814,503	4,304,470	11,817,529	13,420,256
Interest expense	1,831,545	2,732,528	5,711,330	9,196,061
Property expenses	1,658,437	1,677,055	5,111,270	5,480,411
Impairment of real estate investment properties	—	—	(400,999)	9,506,525
Impairment of goodwill and intangible assets	—	—	—	34,572,403
Reserve for loan guarantee	—	(4,359)	—	3,120,678
Total expenses	<u>10,978,672</u>	<u>11,232,413</u>	<u>32,072,070</u>	<u>82,743,416</u>
Other operating income:				
Gain on sale of real estate investments	4,242,771	1,693,642	4,532,413	1,693,642
Real estate operating income (loss)	<u>3,571,782</u>	<u>18,420</u>	<u>981,889</u>	<u>(51,161,154)</u>
Other income (loss):				
Lease termination expense	—	(1,175,192)	—	(1,175,192)
Interest income	1,270	51	1,370	4,873
Income from investment in unconsolidated entity	75,403	92,617	222,705	239,028
Gain on forgiveness of economic relief note payable	—	—	517,000	—
Other	—	—	20,000	(4,855)
Total other income (loss)	<u>76,673</u>	<u>(1,082,524)</u>	<u>761,075</u>	<u>(936,146)</u>
Net income (loss)	3,648,455	(1,064,104)	1,742,964	(52,097,300)
Preferred stock dividends	(143,403)	—	(143,403)	—
Net income (loss) attributable to common stockholders	<u>\$ 3,505,052</u>	<u>\$ (1,064,104)</u>	<u>\$ 1,599,561</u>	<u>\$ (52,097,300)</u>
Net income (loss) per share attributable to common stockholders (Note 2)				
Basic	<u>\$ 0.47</u>	<u>\$ (0.13)</u>	<u>\$ 0.21</u>	<u>\$ (6.50)</u>
Diluted	<u>\$ 0.40</u>	<u>\$ (0.13)</u>	<u>\$ 0.18</u>	<u>\$ (6.50)</u>
Weighted-average number of common shares outstanding				
Basic	<u>7,531,559</u>	<u>8,075,070</u>	<u>7,575,013</u>	<u>8,019,742</u>
Diluted	<u>8,750,875</u>	<u>8,075,070</u>	<u>8,763,112</u>	<u>8,019,742</u>
Distributions declared per common share	<u>\$ 0.2625</u>	<u>\$ 0.4080</u>	<u>\$ 0.7875</u>	<u>\$ 0.9330</u>

See accompanying notes to condensed consolidated financial statements.

Modiv Inc.
Condensed Consolidated Statements of Equity
Three Months Ended September 30, 2021 and 2020
(Unaudited)

	Common Stock						Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity	Noncontrolling Interests in the Operating Partnership	Total Equity
	Preferred Stock		Class C		Class S						
	Shares	Amounts	Shares	Amounts	Shares	Amounts					
Balance, June 30, 2021	—	\$ —	7,490,414	\$ 7,490	63,331	\$ 63	\$ 215,317,098	\$ (97,886,364)	\$ 117,438,287	\$ 50,603,000	\$ 168,041,287
Issuance of common stock	—	—	67,904	68	217	1	1,749,795	—	1,749,864	—	1,749,864
Issuance of preferred stock, net	2,000,000	2,000	—	—	—	—	47,568,374	—	47,570,374	—	47,570,374
Stock compensation expense	—	—	3,647	4	—	—	94,996	—	95,000	—	95,000
Class OP Units compensation expense	—	—	—	—	—	—	648,609	—	648,609	—	648,609
Offering costs	—	—	—	—	—	—	(136,282)	—	(136,282)	—	(136,282)
Reclassification to redeemable common stock	—	—	—	—	—	—	9,316,023	—	9,316,023	—	9,316,023
Repurchase of common stock	—	—	(152,036)	(152)	—	—	(3,834,457)	—	(3,834,609)	—	(3,834,609)
Distributions declared, common stock	—	—	—	—	—	—	—	(1,981,725)	(1,981,725)	—	(1,981,725)
Net income attributable to common stockholders	—	—	—	—	—	—	—	3,505,052	3,505,052	—	3,505,052
Balance, September 30, 2021	2,000,000	\$ 2,000	7,409,929	\$ 7,410	63,548	\$ 64	\$ 270,724,156	\$ (96,363,037)	\$ 174,370,593	\$ 50,603,000	\$ 224,973,593

	Common Stock						Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity	Noncontrolling Interests in the Operating Partnership	Total Equity
	Preferred Stock		Class C		Class S						
	Shares	Amounts	Shares	Amounts	Shares	Amounts					
Balance, June 30, 2020	—	\$ —	8,045,711	\$ 8,046	62,550	\$ 63	\$ 228,712,957	\$ (89,661,537)	\$ 139,059,529	\$ 50,603,000	\$ 189,662,529
Issuance of common stock	—	—	99,810	100	259	—	2,101,588	—	2,101,688	—	2,101,688
Stock compensation expense	—	—	8,750	9	—	—	183,741	—	183,750	—	183,750
Class OP Units compensation expense	—	—	—	—	—	—	88,784	—	88,784	—	88,784
Offering costs	—	—	—	—	—	—	(158,826)	—	(158,826)	—	(158,826)
Repurchase of common stock	—	—	(151,567)	(152)	—	—	(3,166,197)	—	(3,166,349)	—	(3,166,349)
Distributions declared, common stock	—	—	—	—	—	—	—	(2,135,815)	(2,135,815)	—	(2,135,815)
Net loss attributable to common stockholders	—	—	—	—	—	—	—	(1,064,104)	(1,064,104)	—	(1,064,104)
Balance, September 30, 2020	—	\$ —	8,002,705	\$ 8,003	62,808	\$ 63	\$ 227,762,047	\$ (92,861,456)	\$ 134,908,657	\$ 50,603,000	\$ 185,511,657

See accompanying notes to condensed consolidated financial statements.

Modiv Inc.
Condensed Consolidated Statements of Equity
Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	Common Stock						Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity	Noncontrolling Interests in the Operating Partnership	Total Equity
	Preferred Stock		Class C		Class S						
	Shares	Amounts	Shares	Amounts	Shares	Amounts					
Balance, December 31, 2020	—	\$ —	7,874,541	\$ 7,874	62,860	\$ 63	\$ 224,288,417	\$ (92,012,686)	\$ 132,283,668	\$ 50,603,000	\$ 182,886,668
Issuance of common stock	—	—	271,061	271	688	1	6,311,203	—	6,311,475	—	6,311,475
Issuance of preferred stock, net	2,000,000	2,000	—	—	—	—	47,568,374	—	47,570,374	—	47,570,374
Stock compensation expense	—	—	12,168	13	—	—	296,237	—	296,250	—	296,250
Class OP Units compensation expense	—	—	—	—	—	—	1,840,341	—	1,840,341	—	1,840,341
Offering costs	—	—	—	—	—	—	(946,914)	—	(946,914)	—	(946,914)
Reclassification to redeemable common stock	—	—	—	—	—	—	8,247,216	—	8,247,216	—	8,247,216
Repurchase of common stock	—	—	(747,841)	(748)	—	—	(16,880,718)	—	(16,881,466)	—	(16,881,466)
Distributions declared, common stock	—	—	—	—	—	—	—	(5,949,912)	(5,949,912)	—	(5,949,912)
Net income attributable to common stockholders	—	—	—	—	—	—	—	1,599,561	1,599,561	—	1,599,561
Balance, September 30, 2021	2,000,000	\$ 2,000	7,409,929	\$ 7,410	63,548	\$ 64	\$ 270,724,156	\$ (96,363,037)	\$ 174,370,593	\$ 50,603,000	\$ 224,973,593

	Common Stock						Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity	Noncontrolling Interests in the Operating Partnership	Total Equity
	Preferred Stock		Class C		Class S						
	Shares	Amounts	Shares	Amounts	Shares	Amounts					
Balance, December 31, 2019	—	\$ —	7,882,489	\$ 7,882	62,202	\$ 62	\$ 220,730,566	\$ (31,168,948)	\$ 189,569,562	\$ 50,603,000	\$ 240,172,562
Issuance of common stock	—	—	585,853	586	1,252	1	16,193,340	—	16,193,927	—	16,193,927
Stock compensation expense	—	—	12,977	13	—	—	313,321	—	313,334	—	313,334
Class OP Units compensation expense	—	—	—	—	—	—	266,350	—	266,350	—	266,350
Offering costs	—	—	—	—	—	—	(981,748)	—	(981,748)	—	(981,748)
Reclassification to redeemable common stock	—	—	—	—	—	—	4,393,863	—	4,393,863	—	4,393,863
Repurchase of common stock	—	—	(478,614)	(478)	(645)	—	(13,153,645)	—	(13,154,123)	—	(13,154,123)
Distributions declared, common stock	—	—	—	—	—	—	—	(9,595,208)	(9,595,208)	—	(9,595,208)
Net loss attributable to common stockholders	—	—	—	—	—	—	—	(52,097,300)	(52,097,300)	—	(52,097,300)
Balance, September 30, 2020	—	\$ —	8,002,705	\$ 8,003	62,808	\$ 63	\$ 227,762,047	\$ (92,861,456)	\$ 134,908,657	\$ 50,603,000	\$ 185,511,657

See accompanying notes to condensed consolidated financial statements.

Modiv Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net income (loss)	\$ 1,742,964	\$ (52,097,300)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,817,529	13,420,256
Stock compensation expense	2,115,341	522,183
Amortization of deferred rents	(950,694)	(1,027,863)
Amortization of deferred lease incentives	192,235	45,903
Amortization of deferred financing costs and premium/discount	207,086	796,810
Amortization of above-market lease intangibles	97,367	134,412
Amortization of below-market lease intangibles	(1,099,723)	(1,157,951)
Impairment of real estate investment properties	(400,999)	9,506,525
Impairment of goodwill and intangible assets	—	34,572,403
Gain on forgiveness of economic relief note payable	(517,000)	—
Gain on sale of real estate investments	(4,532,413)	(1,693,642)
Unrealized (gain) loss on interest rate swap valuation	(684,057)	1,019,840
Income from investment in unconsolidated entity	(222,705)	(239,028)
Distributions from investment in unconsolidated entity	247,929	542,140
Change in operating assets and liabilities:		
Decrease (increase) in tenant receivables	613,626	(563,259)
Increase in note receivable	(1,283,162)	—
Increase in prepaid and other assets	(667,634)	(513,161)
(Decrease) increase in accounts payable, accrued and other liabilities	(363,007)	1,173,784
Decrease in due to affiliate	—	(628,488)
Net cash provided by operating activities	<u>6,312,683</u>	<u>3,813,564</u>
Cash Flows from Investing Activities:		
Acquisition of real estate investment	(3,644,221)	—
Additions to existing real estate investments	(531,382)	(600,291)
Additions to intangible assets	(195,750)	(566,102)
Collection of receivable from sale of real estate property	1,824,383	—
Net proceeds from sale of real estate investments	22,840,026	15,364,073
Lease incentives	—	(990,000)
Net cash provided by investing activities	<u>20,293,056</u>	<u>13,207,680</u>
Cash Flows from Financing Activities:		
Borrowings from credit facilities	6,000,000	4,260,000
Repayments of credit facilities	(12,000,000)	(6,000,000)
Proceeds from mortgage notes payable	25,436,000	35,705,500
Principal payments on mortgage notes payable	(29,434,396)	(36,421,500)
Proceeds from economic relief notes payable	—	527,000
Principal payments on short-term notes payable	—	(4,800,000)
Refundable loan deposits	18,804	—
Payments of deferred financing costs to third parties	(381,076)	(389,662)
Proceeds from issuance of preferred stock, net	47,570,374	—
Proceeds from issuance of common stock	2,911,744	10,378,762
Payments of offering costs	(946,914)	(981,748)
Repurchases of common stock	(16,881,466)	(13,154,123)
Distributions paid to common stockholders	(2,565,452)	(4,071,697)
Net cash provided by (used in) financing activities	<u>19,727,618</u>	<u>(14,947,468)</u>
Net increase in cash, cash equivalents and restricted cash	46,333,357	2,073,776
Cash, cash equivalents and restricted cash, beginning of period	8,377,530	6,936,930
Cash, cash equivalents and restricted cash, end of period	<u>\$ 54,710,887</u>	<u>\$ 9,010,706</u>

Modiv Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest for the nine months ended September 30, 2021 and 2020 (as revised)	\$ 6,116,202	\$ 6,930,329

Supplemental Schedule of Noncash Investing and Financing Activities:

Reclassification from redeemable common stock	\$ 8,247,216	\$ 4,393,863
Reinvested distributions from common stockholders	\$ 3,399,731	\$ 5,815,165
Decrease in share repurchases payable	\$ (1,631,648)	\$ (1,393,275)
Deferred rents	\$ 683,605	\$ —
Deferred lease incentive	\$ (2,128,538)	\$ —
Accrued distributions	\$ 123,521	\$ 291,654
Supplemental disclosure related to real estate investment held for sale, net:		
Real estate investments held for sale, net	\$ 24,585,739	\$ 23,033,118
Other assets related to real estate investments held for sale	\$ 1,079,361	\$ 864,008
(Increase) decrease in above-market lease intangibles, net	\$ (50,549)	\$ 198,517
Mortgage notes payable related to real estate investments held for sale, net	\$ (9,088,438)	\$ (14,671,370)
Other liabilities related to real estate investments held for sale	\$ (801,337)	\$ (3,934,795)
Increase in below-market lease intangibles, net	\$ 325,734	\$ 73,505
Increase in interest swap derivatives	\$ 14,166	\$ —

See accompanying notes to condensed consolidated financial statements.

Modiv Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. BUSINESS AND ORGANIZATION

Modiv Inc. (the “Company”) was incorporated on May 15, 2015 as a Maryland corporation. The Company has the authority to issue 450,000,000 shares of stock, consisting of 50,000,000 shares of preferred stock, \$0.001 par value per share, 300,000,000 shares of Class C common stock, \$0.001 par value per share, and 100,000,000 shares of Class S common stock, \$0.001 par value per share. The Company's five-year emerging growth company registration with the SEC will end on December 30, 2021 but the Company will continue to report with the SEC as a smaller reporting company under Rule 12b-2 of the Exchange Act. Effective February 1, 2021, with the authorization of the board of directors, the Company filed Articles of Amendment to the Company's charter in the State of Maryland in order to effect a 1:3 reverse stock split of the Company's Class C common stock and Class S common stock and, following the implementation of the reverse stock split, to decrease the par value of each post-split share of the Company's Class C common stock and Class S common stock from \$0.003 per share to \$0.001 per share.

The Company has been internally managed since its December 31, 2019 acquisition of the business of BrixInvest, LLC, a Delaware limited liability company and the Company's former sponsor (“BrixInvest”), and the Company's merger with Rich Uncles Real Estate Investment Trust I (“REIT I”) on December 31, 2019 pursuant to an Agreement and Plan of Merger dated September 19, 2019 whereby REIT I merged with and into Katana Merger Sub, LP (“Merger Sub”), a Delaware limited partnership and wholly-owned subsidiary of the Company, with Merger Sub surviving as a direct, wholly-owned subsidiary of the Company (the “Merger”). Through the Merger and acquisitions, the Company created one of the largest non-listed real estate investment funds to be raised via crowdfunding technology and the first real estate crowdfunding platform to be completely investor-owned.

The Company holds its investments in real property through special purpose limited liability companies which are wholly-owned subsidiaries of Modiv Operating Partnership, LP, a Delaware limited partnership (the “Operating Partnership”). The Operating Partnership was formed on January 28, 2016. The Company is the sole general partner of and owned an 86% partnership interest in the Operating Partnership on September 30, 2021. The Operating Partnership limited partners include holders of several classes of units with various vesting and enhancement terms as further described in *Note 12*.

As of September 30, 2021, the Company's portfolio of approximately 2.2 million square feet of aggregate leasable space consisted of investments in 38 real estate properties, comprised of: 13 retail properties, 14 office properties and 11 industrial properties, including an approximate 72.7% tenant-in-common interest in a Santa Clara, California industrial property (the “TIC Interest”).

Self-Management Transaction and Merger on December 31, 2019

The Company was externally managed through December 31, 2019 by its former external advisor, Rich Uncles NNN REIT Operator, LLC, a Delaware limited liability company. On December 31, 2019, the Company merged with REIT I and a self-management transaction was completed, whereby the Company effectuated a contribution agreement, dated September 19, 2019 (the “Contribution Agreement”), pursuant to which the Company acquired substantially all of the assets and assumed certain liabilities of its former external advisor and former sponsor in exchange for units of limited partnership interest in the Operating Partnership (the “Self-Management Transaction”). As a result of the completion of the Self-Management Transaction, the Company became self-managed and eliminated all fees for acquisitions, dispositions and management of its properties, which were previously paid to its former external advisor. Following completion of the Self-Management Transaction and the issuance of various other tranches of general and limited partnership interests, the Company owned an approximately 86% partnership interest in the Operating Partnership as of September 30, 2021.

Offerings

On July 15, 2015, the Company filed a registration statement on Form S-11 (File No. 333-205684) with the SEC to register an initial public offering of a maximum of 30,000,000 (adjusted for the 1:3 reverse stock split) of its shares of common stock for sale to the public (the “Initial Primary Offering”). The Company also registered a maximum of 3,333,333 (adjusted for the 1:3 reverse stock split) of its shares of common stock pursuant to the Company's distribution reinvestment plan (the “DRP”) (the “Initial DRP Offering”) and together with the Initial Primary Offering, the “Initial Registered Offering”). During 2016, the SEC declared the Company's registration statement effective and the Company began offering shares of common stock to the public. Pursuant to the Initial Registered Offering, the Company sold shares of Class C common stock directly to investors, with a

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

minimum investment in shares of \$500. Commencing in August 2017, the Company began selling shares of its Class C common stock only to U.S. persons as defined under Rule 903 promulgated under the Securities Act, and began selling shares of its Class S common stock as a result of the commencement of the Class S Offering (as defined below) to non-U.S. Persons.

In August 2017, the Company began offering up to 33,333,333 shares (adjusted for the 1:3 reverse stock split) of Class S common stock exclusively to non-U.S. Persons as defined under Rule 903 promulgated under the Securities Act, pursuant to an exemption from the registration requirements of the Securities Act and in accordance with Regulation S of the Securities Act (the "Class S Offering"). The Class S common stock has similar features and rights as the Class C common stock, including with respect to voting and liquidation, except that the Class S common stock offered in the Class S Offering may be sold only to non-U.S. Persons and may be sold through brokers or other persons who may be paid upfront and deferred selling commissions and fees.

On December 23, 2019, the Company commenced a follow-on offering pursuant to a new registration statement on Form S-11 (File No. 333-231724) (the "Follow-on Offering"), which registered the offer and sale of up to \$800,000,000 in share value of Class C common stock, including \$725,000,000 in share value of Class C common stock pursuant to the primary portion of the Follow-on Offering and \$75,000,000 in share value of Class C common stock pursuant to the Company's DRP. The Company ceased offering shares pursuant to the Initial Registered Offering concurrently with the commencement of the Follow-on Offering.

On January 22, 2021, with the authorization of the board of directors, the Company amended and restated its DRP with respect to the Company's shares of Class C common stock in order to reflect its corporate name change and to remove the ability of the Company's stockholders to elect to reinvest only a portion of their cash distributions in shares through the DRP so that investors who elect to participate in the DRP must reinvest all cash distributions in shares. In addition, the amended and restated DRP provides for determinations of the estimated net asset value ("NAV") per share by the board of directors more frequently than annually. The amended and restated DRP was effective with respect to distributions that were paid in February 2021.

On January 22, 2021, the Company filed a registration statement on Form S-3 (File No. 333-252321) to register a maximum of \$100,000,000 in share value of Class C common stock to be issued pursuant to the amended and restated DRP (the "2021 DRP Offering" and, collectively with the Initial DRP Offering, the "Registered DRP Offering"). The Company commenced offering shares of Class C common stock pursuant to the 2021 DRP Offering upon termination of the Follow-on Offering.

Effective January 27, 2021, the board of directors terminated the Company's Follow-on Offering. In connection with the termination of the Follow-on Offering, the Company stopped accepting investor subscriptions on January 22, 2021. As of January 27, 2021, the Company had \$600,547,672 in share value of unsold shares in the Follow-on Offering, which were deregistered with the SEC. On February 1, 2021, the Company commenced a private offering of Class C common stock under Regulation D promulgated under the Securities Act (the "Private Offering" and, collectively with the Registered Offerings (as defined below), the "Offerings") and accepted investor subscriptions from only accredited investors until the Company terminated the Private Offering on August 12, 2021.

On June 29, 2021, the Company filed with the SEC a Regulation A Offering Statement on Form 1-A (the "Reg A Offering" and, collectively with the Follow-on Offering and the Registered DRP Offering, the "Registered Offerings"), including its preliminary offering circular, for a \$75,000,000 offering of its Class C common stock and filed an amended Form 1-A on August 13, 2021. The SEC qualified the amended Regulation A Offering Statement on Form 1-A on August 16, 2021. The Reg A Offering allowed the Company to once again accept subscriptions from investors who are not accredited.

Preferred Stock

On September 14, 2021, the Company and the Operating Partnership entered into an underwriting agreement (the "Underwriting Agreement") with B. Riley Securities, Inc., as representative of the underwriters listed on Schedule I thereto (collectively, the "Underwriters"), pursuant to which the Company agreed to issue and sell 1,800,000 shares of the Company's 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.001 par value per share (the "Series A Preferred Stock") in an underwritten public offering (the "Preferred Offering") at a price per share of \$25.00. In addition, the Company granted the Underwriters a 30-day option to purchase up to an additional 200,000 shares of the Series A Preferred Stock, which the Underwriters exercised in full on September 16, 2021. The issuance and sale of the shares of Series A Preferred Stock, including the Underwriters' full exercise of their option to purchase additional shares, closed on September 17, 2021 (see *Note 9* for additional information).

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Estimated NAV Per Share (Unaudited)

Since December 31, 2020, the Company's board of directors has approved and established an updated quarterly estimated NAV per share of the Company's Class C common stock and Class S common stock as follows:

Valuation Date	Effective Date	NAV Per Share
December 31, 2020	January 27, 2021	\$23.03 (unaudited and adjusted for the 1:3 reverse stock split on February 1, 2021)
March 31, 2021	May 5, 2021	\$24.61 (unaudited)
June 30, 2021	August 4, 2021	\$26.05 (unaudited)
September 30, 2021	November 5, 2021	\$27.29 (unaudited)

Additional information on the determination of the Company's most recent estimated NAV per share, including the process used to determine its estimated NAV per share, can be found in the Company's Current Report on Form 8-K filed with the SEC on November 5, 2021. Effective November 5, 2021, the purchase price per share of the Company's Class C common stock in the Reg A Offering was increased from \$26.05 (unaudited) to \$27.29 (unaudited). Also, commencing November 5, 2021, the purchase price per share in the primary portion of the Class S Offering was increased to \$27.29 (unaudited) plus the amount of any applicable upfront commissions and fees, and the NAV per share used for purposes of the share repurchase programs was increased to \$27.29 (unaudited) for repurchase requests made starting on November 1, 2021. Beginning with distributions scheduled to be paid to stockholders on November 25, 2021, the purchase price per share of the Company's common stock in the Class C and the Class S DRPs was increased from \$26.05 (unaudited) to \$27.29 (unaudited).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Basis of Presentation and Principles of Consolidation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial statements and the rules and regulations of the SEC. Accordingly, they do not contain all information and footnotes required by GAAP for annual financial statements pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. Such unaudited condensed consolidated financial statements and accompanying notes are the representations of the Company's management, which is responsible for their integrity and objectivity. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2020 included in the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2021.

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which are normal and recurring, necessary to fairly state the Company's financial position, results of operations and cash flows. All significant intercompany balances and transactions are eliminated in consolidation. The unaudited condensed consolidated balance sheet as of December 31, 2020 included herein was derived from the audited financial statements.

Reverse Stock Split

On February 1, 2021, the Company effected a 1:3 reverse stock split of its Class C common stock and Class S common stock and, following the implementation of the reverse stock split, decreased the par value of each share of the Company's Class C common stock and Class S common stock from \$0.003 per share to \$0.001 per share. The Company has reflected the effect of the reverse stock split in the accompanying unaudited condensed consolidated financial statements and related notes as if it had occurred at the beginning of the earliest period presented.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements and the accompanying notes thereto in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. These estimates are based on historical experience and, in some cases, assumptions based on current and future market experience, including considerations related to the COVID-19 pandemic (see *Notes 3 and 5* for impairment charges related primarily to COVID-19). Actual results may differ from those estimates.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Noncontrolling Interests in the Operating Partnership

The Company accounts for the noncontrolling interests in its Operating Partnership in accordance with the related accounting guidance. Due to the Company's control of the Operating Partnership through its general partnership interest therein and the limited rights of the limited partners, the Operating Partnership, including its wholly-owned subsidiaries, are consolidated with the Company, and the limited partner interests not held by the Company are reflected as noncontrolling interests in the accompanying unaudited condensed consolidated balance sheets and statements of equity. The noncontrolling interests were issued on December 31, 2019 and represent non-voting, non-dividend accruing interests with no allocation of profits or losses. As described in *Note 12*, the interests were not able to be converted or exchanged prior to (i) December 31, 2020, the one-year anniversary of the closing of the Self-Management Transaction (in the case of the units of Class M limited partnership interest ("Class M OP Units") in the Operating Partnership), or (ii) the expiration of the Lockup Period (as defined in *Note 12*) (in the case of the units of Class P limited partnership interest ("Class P OP Units") in the Operating Partnership). As of September 30, 2021, no interests have been converted or exchanged.

On January 25, 2021, the board of directors approved the grant of units of Class R limited partnership interest ("Class R OP Units") to all employees of the Company. As described in detail in *Note 12*, all units granted vest on January 25, 2024 and are then mandatorily convertible into units of Class C limited partnership interest in the Operating Partnership ("Class C OP Units") no later than March 31, 2024.

Business Combinations

The Company accounts for business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805") and applicable Accounting Standards Updates (each, an "ASU"), whereby the total consideration transferred is allocated to the assets acquired and liabilities assumed, including amounts attributable to any non-controlling interests, when applicable, based on their respective estimated fair values as of the date of acquisition. Goodwill represents the excess of consideration transferred over the estimated fair value of the net assets acquired in a business combination.

ASC 805 defines a business as an integrated set of activities and assets (collectively, a "set") that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants. To be considered a business, the set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. ASC 805 provides a practical screen to determine when a set would not be considered a business. If the screen is not met and further assessment determines that the set is not a business, then the set is an asset acquisition. The primary difference between a business combination and an asset acquisition is that an asset acquisition requires cost accumulation and allocation at relative fair value. Acquisition costs are capitalized for an asset acquisition and expensed for a business combination.

Revenue Recognition

The Company accounts for revenue in accordance with FASB ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"), which includes revenue generated by sales of real estate, other operating income and tenant reimbursements for substantial services earned at the Company's properties. Such revenues are recognized when the services are provided and the performance obligations are satisfied. Tenant reimbursements, consisting of amounts due from tenants for common area maintenance, property taxes and other recoverable costs, are recognized in rental income subsequent to the adoption of Topic 842, as discussed below, in the period the recoverable costs are incurred. Tenant reimbursements, for which the Company pays the associated costs directly to third-party vendors and is reimbursed by the tenants, are recognized and recorded on a gross basis.

The Company accounts for leases in accordance with FASB ASU No. 2016-02 *Leases (Topic 842)*, and the related FASB ASU Nos. 2018-10, 2018-11, 2018-20 and 2019-01, which provide practical expedients, technical corrections and improvements for certain aspects of ASU No. 2016-02, on a modified retrospective basis (collectively, "Topic 842"). Topic 842 establishes a single comprehensive model for entities to use in accounting for leases. Topic 842 applies to all entities that enter into leases. Lessees are required to report assets and liabilities that arise from leases. Lessor accounting has largely remained unchanged; however, certain refinements were made to conform with revenue recognition guidance, specifically related to the allocation and recognition of contract consideration earned from lease and non-lease revenue components. Topic 842 impacts the Company's accounting for leases primarily as a lessor. However, Topic 842 also impacts the Company's accounting as a lessee but is considered not material.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

As a lessor, the Company's leases with tenants generally provide for the lease of real estate properties, as well as common area maintenance, property taxes and other recoverable costs. To reflect recognition as one lease component, rental income and tenant reimbursements and other lease related property income that meet the requirements of the practical expedient provided by ASU No. 2018-11 have been combined under rental income in the Company's unaudited condensed consolidated statements of operations. For the three months ended September 30, 2021 and 2020, tenant reimbursements included in rental income amounted to \$1,640,835 and \$1,622,218, respectively, and for the nine months ended September 30, 2021 and 2020, tenant reimbursements included in rental income amounted to \$5,036,196 and \$5,521,723, respectively.

The Company recognizes rental income from tenants under operating leases on a straight-line basis over the noncancelable term of the lease when collectability of such amounts is reasonably assured. Recognition of rental income on a straight-line basis includes the effects of rental abatements, lease incentives and fixed and determinable increases in lease payments over the lease term. If the lease provides for tenant improvements, management of the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or by the Company.

When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance (including amounts that the tenant can take in the form of cash or a credit against its rent) that is funded is treated as a lease incentive and amortized as a reduction of revenue over the lease term. Tenant improvement ownership is determined based on various factors including, but not limited to:

- whether the lease stipulates how a tenant improvement allowance may be spent;
- whether the amount of a tenant improvement allowance is in excess of market rates;
- whether the tenant or landlord retains legal title to the improvements at the end of the lease term;
- whether the tenant improvements are unique to the tenant or general-purpose in nature; and
- whether the tenant improvements are expected to have any residual value at the end of the lease.

Tenant reimbursements of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the expenses are incurred and presented gross if the Company is the primary obligor and, with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the associated credit risk. In instances where the operating lease agreement has an early termination option, the termination penalty is based on a predetermined termination fee or based on the unamortized tenant improvements and leasing commissions.

The Company evaluates the collectability of rents and other receivables on a regular basis based on factors including, among others, payment history, credit rating, the asset type, and current economic conditions. If the Company's evaluation of these factors indicates it may not recover the full value of the receivable, it provides an allowance against the portion of the receivable that it estimates may not be recovered. This analysis requires the Company to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected.

Gain or Loss on Sale of Real Estate Property

The Company recognizes gain or loss on sale of real estate property when the Company has executed a contract for sale of the property, transferred controlling financial interest in the property to the buyer and determined that it is probable that the Company will collect substantially all of the consideration for the property. The Company's real estate property sale transactions during the three and nine months ended September 30, 2021 and 2020 met these criteria at closing. When properties are sold, operating results of the properties remain in continuing operations, and any associated gain or loss from the disposition is included in gain or loss on sale of real estate investments in the Company's accompanying unaudited condensed consolidated statements of operations.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Bad Debts and Allowances for Tenant and Deferred Rent Receivables

The Company's determination of the adequacy of its allowances for tenant receivables includes a binary assessment of whether or not the amounts due under a tenant's lease agreement are probable of collection. For such amounts that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For such amounts that are deemed not probable of collection, revenue is recorded as the lesser of (i) the amount which would be recognized on a straight-line basis or (ii) cash that has been received from the tenant, with any tenant and deferred rent receivable balances charged as a direct write-off against rental income in the period of the change in the collectability determination. In addition, for tenant and deferred rent receivables deemed probable of collection, the Company also may record an allowance under other authoritative GAAP depending upon the Company's evaluation of the individual receivables, specific credit enhancements, current economic conditions, and other relevant factors. Such allowances are recorded as increases or decreases through rental income in the Company's unaudited condensed consolidated statements of operations.

With respect to tenants in bankruptcy, management makes estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectability of the related receivable. In some cases, the ultimate resolution of these claims can exceed one year. When a tenant is in bankruptcy, the Company will record a bad debt allowance for the tenant's receivable balance and generally will not recognize subsequent rental income until cash is received or until the tenant is no longer in bankruptcy and has the ability to make rental payments.

Leasing Costs

Initial direct costs such as legal fees and commissions are capitalized and amortized over the term of the lease. Internal leasing costs are charged to expense as incurred. These expenses are included in property expenses in the Company's unaudited condensed consolidated statements of operations.

Impairment of Investment in Real Estate Properties

The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of real estate assets may not be recoverable. When indicators of potential impairment are present that indicate that the carrying amounts of real estate assets may not be recoverable, management assesses whether the carrying value of the assets will be recovered through the future undiscounted operating cash flows expected from the use of and eventual disposition of the property. If, based on the analysis, the Company does not believe that it will be able to recover the carrying value of the asset, the Company records an impairment charge to the extent the carrying value exceeds the estimated fair value of the asset. As more fully discussed in *Note 3*, the Company recorded impairment charges of \$9,506,525 related to four of its real estate properties during the nine months ended September 30, 2020. The Company did not incur any impairment charges for its real estate properties during the three months September 30, 2021 and 2020 and the nine months ended September 30, 2021. However, the Company recognized a reversal of a prior year impairment charge of \$400,999 in June 2021 related to a real estate property that is no longer classified as held for sale (see *Note 3* for more details).

Other Comprehensive Loss

For all periods presented, other comprehensive loss is the same as net loss.

Per Share Data

The Company reports a dual presentation of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). Basic EPS excludes dilution and is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted EPS uses the treasury stock method or the if-converted method, where applicable, to compute for the potential dilution that would occur if dilutive securities or commitments to issue common stock were exercised. Diluted EPS is the same as Basic EPS for the three and nine months ended September 30, 2020 as the Company had a net loss attributable to common stockholders for both reported periods.

As of September 30, 2021, there were 657,949.5 Class M OP Units, 56,029 Class P OP Units and 353,003 Class R OP Units, net of forfeiture of 6,997 units (adjusted for the 1:3 reverse stock split) that are convertible into Class C OP Units (see *Note 12* for more details). The holders of Class C OP Units may exchange such Class C OP Units for shares of the Company's Class C common stock on a 1-for-1 basis or, at the Company's sole and absolute discretion, for cash.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
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The Class M OP Units, Class P OP Units and Class R OP Units, and the shares of Class C common stock into which they may ultimately be converted, were excluded from the computation of Diluted EPS for the three and nine months ended September 30, 2020 because their effect would not be dilutive. The weighted average dilutive effect of such units for the three and nine months ended September 30, 2021 was an increase of 1,219,316 and 1,188,099 shares, respectively, included in the computation of Diluted EPS. There were no other outstanding securities or commitments to issue common stock that would have a dilutive effect for the periods then ended.

The Company has presented the basic and diluted net loss per share amounts on the accompanying unaudited condensed consolidated statements of operations for Class C and Class S share classes as a combined common share class. Application of the two-class method for allocating net loss attributable to common stockholders in accordance with the provisions of ASC 260, *Earnings per Share*, would have resulted in basic net income (loss) attributable to common stockholders of \$0.47 and \$(0.12) per share of Class C common stock for the three months ended September 30, 2021 and 2020, respectively, net income (loss) attributable to common stockholders of \$0.47 and \$(0.12) per share of Class S common stock for the three months ended September 30, 2021 and 2020, respectively, net income (loss) attributable to common stockholders of \$0.21 and \$(6.51) per share of Class C common stock for the nine months ended September 30, 2021 and 2020, respectively, and net income (loss) attributable to common stockholders of \$0.20 and \$(6.51) per share of Class S common stock for the nine months ended September 30, 2021 and 2020, respectively.

The two-class method would have resulted in diluted net income (loss) attributable to common stockholders of \$0.40 and \$(0.12) per share of Class C common stock for the three months ended September 30, 2021 and 2020, respectively, diluted net income (loss) attributable to common stockholders of \$0.47 and \$(0.12) per share of Class S common stock for the three months ended September 30, 2021 and 2020, respectively, diluted net income (loss) attributable to common stockholders of \$0.18 and \$(6.51) per share of Class C common stock for the nine months ended September 30, 2021 and 2020, respectively, and diluted net income (loss) attributable to common stockholders of \$0.20 and \$(6.51) per share of Class S common stock for the nine months ended September 30, 2021 and 2020, respectively.

Any difference in net loss per share if allocated under this method primarily reflects the lower effective distributions per share for Class S stockholders as a result of the payment of the deferred commission to the Class S distributor of these shares, and also reflects the impact of the timing of the declaration of the distributions relative to the time the shares were outstanding.

Fair Value Disclosures

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an existing price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy, which is based on three levels of inputs, the first two of which are considered observable and the last unobservable, that may be used to measure fair value, is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value for certain financial instruments is derived using valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available and for which markets contain orderly transactions will generally have a higher degree of price transparency than financial instruments for which markets are inactive or consist of non-orderly trades. The Company evaluates several factors when determining if a market is inactive or when market transactions are not orderly. The following is a summary of the methods and assumptions used by management in estimating the fair value of each class of financial instrument for which it is practicable to estimate the fair value:

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Cash and cash equivalents, restricted cash, receivable from sale of real estate property, tenant receivables, prepaid expenses and other assets and accounts payable, accrued and other liabilities: These balances approximate their fair values due to their short maturities.

Derivative Instruments: The Company's derivative instruments are presented at fair value in the accompanying unaudited condensed consolidated balance sheets. The valuation of these instruments is determined using a proprietary model that utilizes observable inputs. As such, the Company classifies these inputs as Level 2 inputs. The proprietary model uses the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and volatility. The fair values of interest rate swaps are estimated using the market standard methodology of netting the discounted fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of interest rates (forward curves) derived from observable market interest rate curves. In addition, credit valuation adjustments, which consider the impact of any credit risks to the contracts, are incorporated in the fair values to account for potential nonperformance risk.

Goodwill and Intangible Assets: The fair value measurements of goodwill and intangible assets are considered Level 3 nonrecurring fair value measurements. For goodwill, fair value measurement involves the determination of fair value of a reporting unit. The Company has used a Monte Carlo simulation model to estimate future performance, generating the fair value of the reporting unit's business. For intangible assets, fair value measurements include assumptions with inherent uncertainty, including projected offerings volumes and related projected revenues and long-term growth rates, among others. The carrying value of the Company's intangible assets is at risk of impairment if the Company experiences an adverse change in its business climate or has a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

Credit facilities and economic relief note payable: The fair values of the Company's credit facilities and economic relief note payable approximate the carrying values of the credit facility and economic relief note payable as their interest rates and other terms are comparable to those available in the market place for a similar credit facility and short-term note, respectively.

Mortgage notes payable: The fair value of the Company's mortgage notes payable is estimated using a discounted cash flow analysis based on management's estimates of current market interest rates for instruments with similar characteristics, including remaining loan term, loan-to-value ratio, type of collateral and other credit enhancements. Additionally, when determining the fair value of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available, the Company measures fair value using (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as assets or (ii) another valuation technique that is consistent with the principles of fair value measurement, such as the income approach or the market approach. The Company classifies these inputs as Level 3 inputs.

Restricted Cash

Restricted cash is comprised of funds which are restricted for use as required by certain lenders in conjunction with an acquisition or debt financing or modification and for on-site and tenant improvements or property taxes. Restricted cash as of September 30, 2021 and December 31, 2020 amounted to \$2,410,951 and \$129,118, respectively, for the properties discussed below and other lender reserves.

Under the terms of the Company's June 2021 refinancing of mortgages on its properties leased to Northrop Grumman and L3Harris Technologies, Inc. ("L3Harris") with Banc of California as described in *Note 7*, the Company established restricted cash accounts at Banc of California with \$1,271,462 and \$1,000,000 held for the Northrop Grumman and L3Harris properties, respectively, to fund building improvements, tenant improvements and leasing commissions. During the three months ended September 30, 2021, the amount of \$128,538 was released to fund a leasing commission.

Pursuant to amended lease agreements, the Company had an obligation to pay for tenant improvements as of September 30, 2021 and December 31, 2020 of \$89,136 and \$60,598, respectively, for tenant improvements to be incurred by tenants for which funds restricted by the lender were available. As of September 30, 2021 and December 31, 2020, the Company's restricted cash held to fund other improvements and leasing commissions totaled \$2,271,462 and \$32,086, respectively.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Real Estate Investments Held for Sale

The Company generally considers a real estate investment to be “held for sale” when the following criteria are met: (i) management commits to a plan to sell the property, (ii) the property is available for sale immediately, (iii) the property is actively being marketed for sale at a price that is reasonable in relation to its current fair value, (iv) the sale of the property within one year is considered probable and (v) significant changes to the plan to sell are not expected. Real estate that is held for sale and its related assets are classified as “real estate investment held for sale, net” and “assets related to real estate investment held for sale,” respectively, in the accompanying unaudited condensed consolidated balance sheets. Mortgage notes payable and other liabilities related to real estate investments held for sale are classified as “mortgage notes payable related to real estate investments held for sale, net” and “liabilities related to real estate investments held for sale,” respectively, in the accompanying unaudited condensed consolidated balance sheets. Real estate investments classified as held for sale are no longer depreciated and are reported at the lower of their carrying value or their estimated fair value less estimated costs to sell. Operating results of properties that were classified as held for sale in the ordinary course of business are included in continuing operations in the Company’s accompanying unaudited condensed consolidated statements of operations.

Goodwill and Other Intangible Assets

The Company records goodwill when the purchase price of a business combination exceeds the estimated fair value of net identified tangible and intangible assets acquired. The Company evaluates goodwill and other intangible assets for possible impairment in accordance with ASC 350, *Intangibles—Goodwill and Other*, on an annual basis, or more frequently when events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit has declined below its carrying value. If the carrying amount of the reporting unit exceeds its fair value, an impairment charge is recognized.

In assessing goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that the fair value of a reporting unit is less than its carrying amount. The Company’s qualitative assessment of the recoverability of goodwill considers various macro-economic, industry-specific and company-specific factors. These factors include: (i) severe adverse industry or economic trends; (ii) significant company-specific actions, including exiting an activity in conjunction with restructuring of operations; (iii) current, historical or projected deterioration of the Company’s financial performance; or (iv) a sustained decrease in the Company’s market capitalization below its net book value. If, after assessing the totality of events or circumstances, the Company determines it is unlikely that the fair value of such reporting unit is less than its carrying amount, then a quantitative analysis is unnecessary.

However, if the Company concludes otherwise, or if it elects to bypass the qualitative analysis, then it is required to perform a quantitative analysis that compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired; otherwise, a goodwill impairment loss is recognized for the lesser of: (a) the amount that the carrying amount of a reporting unit exceeds its fair value; or (b) the amount of the goodwill allocated to that reporting unit.

Intangible assets consist of purchased investor-related intangible assets, marketing-related intangible assets, developed or acquired technology and other intangible assets. Intangible assets are amortized over their estimated useful lives using the straight-line method ranging from three years to five years. No significant residual value is estimated for intangible assets. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate or if the Company has a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company evaluates long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable.

Restricted Stock and Restricted Stock Unit Awards

The fair values of the Operating Partnership’s units or restricted stock unit awards issued or granted by the Company are based on an estimated value per share of the Company’s common stock on the date of issuance or grant, adjusted for an illiquidity discount due to the illiquid nature of the underlying equity. Operating Partnership units issued as purchase consideration in connection with the Self-Management Transaction discussed in *Note 12* are recorded in equity under noncontrolling interests in the Operating Partnership in the Company’s unaudited condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020 and unaudited condensed consolidated statements of equity for the three and nine months ended September 30, 2021 and 2020. For units granted to employees of the Company that are not included in the purchase consideration, the fair value of the award is amortized using the straight-line method over the requisite service period of the award, which is generally the vesting period. We have elected to record forfeitures as they occur.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

The Company determines the accounting classification of equity instruments (e.g. restricted stock units) that are issued as purchase consideration or part of the purchase consideration in a business combination, as either liability or equity, by first assessing whether the equity instruments meet liability classification in accordance with ASC 480-10, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (“ASC 480-10”), and then in accordance with ASC 815-40, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock* (“ASC 815-40”). Under ASC 480-10, equity instruments are classified as liabilities if the equity instruments are mandatorily redeemable, obligate the issuer to settle the equity instruments or the underlying shares by paying cash or other assets, or must or may require an unconditional obligation that must be settled by issuing a variable number of shares.

If equity instruments do not meet liability classification under ASC 480-10, the Company assesses the requirements under ASC 815-40, which states that contracts that require or may require the issuer to settle the contract for cash are liabilities recorded at fair value, irrespective of the likelihood of the transaction occurring that triggers the net cash settlement feature. If the equity instruments do not require liability classification under ASC 815-40, in order to conclude equity classification, the Company assesses whether the equity instruments are indexed to its common stock and whether the equity instruments are classified as equity under ASC 815-40 or other applicable GAAP guidance. After all relevant assessments are made, the Company concludes whether the equity instruments are classified as liability or equity. Liability classified equity instruments are required to be accounted for at fair value both on the date of issuance and on subsequent accounting period ending dates, with all changes in fair value after the issuance date recorded in the statements of operations as a gain or loss. Equity classified equity instruments are accounted for at fair value on the issuance date with no changes in fair value recognized after the issuance date.

Reclassifications

Certain prior year balance sheet accounts have been reclassified to conform with the current year presentation. The reclassification did not affect net income in the prior year unaudited condensed consolidated statement of operations.

Recent Accounting Pronouncements

New Accounting Standards Recently Issued and Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 eases the potential burden in accounting for recognizing the effects of reference rate reform on financial reporting. Such challenges include the accounting and operational implications for contract modifications and hedge accounting. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to loan and lease agreements, contracts, hedging relationships, and other transactions affected by reference rate reform. These provisions apply to contract modifications that reference the London Inter-bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform.

Qualifying modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate, and the modification would be considered “minor” so that any existing unamortized deferred loan origination fees and costs would carry forward and continue to be amortized. Qualifying modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for hedge accounting. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022, with adoption permitted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected, the amendments must be applied prospectively for all eligible contract modifications. The Company is currently evaluating the effect that ASU 2020-04 will have on the Company’s consolidated financial statements.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

NOTE 3. REAL ESTATE INVESTMENTS, NET

As of September 30, 2021, the Company's real estate investment portfolio consisted of 38 operating properties located in 14 states comprised of: 13 retail properties, 14 office properties and 11 industrial properties, including the TIC Interest not reflected in the table below but discussed in *Note 4*.

The following table provides summary information regarding the Company's operating properties as of September 30, 2021:

Property	Location	Acquisition Date	Property Type	Land, Buildings and Improvements	Tenant Origination and Absorption Costs	Accumulated Depreciation and Amortization	Total Investment in Real Estate Property, Net
Accredo Health	Orlando, FL	6/15/2016	Office	\$ 9,855,847	\$ 1,269,350	\$ (2,506,329)	\$ 8,618,868
Dollar General	Litchfield, ME	11/4/2016	Retail	1,281,812	116,302	(196,188)	1,201,926
Dollar General	Wilton, ME	11/4/2016	Retail	1,543,776	140,653	(251,079)	1,433,350
Dollar General	Thompsontown, PA	11/4/2016	Retail	1,199,860	106,730	(188,502)	1,118,088
Dollar General	Mt. Gilead, OH	11/4/2016	Retail	1,174,188	111,847	(180,730)	1,105,305
Dollar General	Lakeside, OH	11/4/2016	Retail	1,112,872	100,857	(185,485)	1,028,244
Dollar General	Castalia, OH	11/4/2016	Retail	1,102,086	86,408	(180,218)	1,008,276
Northrop Grumman	Melbourne, FL	3/7/2017	Office	12,382,991	1,469,737	(3,466,555)	10,386,173
exp US Services	Maitland, FL	3/27/2017	Office	6,056,668	388,248	(1,001,253)	5,443,663
Harley (1)	Bedford, TX	4/13/2017	Retail	12,947,054	—	(1,281,445)	11,665,609
Wyndham	Summerlin, NV	6/22/2017	Office	10,406,483	669,232	(1,436,091)	9,639,624
Williams Sonoma	Summerlin, NV	6/22/2017	Office	8,079,612	550,486	(1,292,121)	7,337,977
Omnicare	Richmond, VA	7/20/2017	Industrial	7,275,115	281,442	(1,016,164)	6,540,393
EMCOR	Cincinnati, OH	8/29/2017	Office	5,960,610	463,488	(738,712)	5,685,386
Husqvarna	Charlotte, NC	11/30/2017	Industrial	11,840,200	1,013,948	(1,381,471)	11,472,677
AvAir	Chandler, AZ	12/28/2017	Industrial	27,357,899	—	(2,631,689)	24,726,210
3M	DeKalb, IL	3/29/2018	Industrial	14,762,819	2,356,361	(4,410,594)	12,708,586
Cummins	Nashville, TN	4/4/2018	Office	14,538,528	1,536,998	(2,759,017)	13,316,509
Northrop Grumman Parcel	Melbourne, FL	6/21/2018	Land	329,410	—	—	329,410
Texas Health	Dallas, TX	9/13/2018	Office	6,976,703	713,221	(904,326)	6,785,598
Bon Secours	Richmond, VA	10/31/2018	Office	10,399,820	800,356	(1,318,163)	9,882,013
Costco	Issaquah, WA	12/20/2018	Office	27,330,797	2,765,136	(3,631,336)	26,464,597
Taylor Fresh Foods	Yuma, AZ	10/24/2019	Industrial	34,194,369	2,894,017	(2,588,277)	34,500,109
Raising Cane's	San Antonio, TX	7/26/2021	Retail	3,430,224	213,997	(24,221)	3,620,000
Levins	Sacramento, CA	12/31/2019	Industrial	4,429,390	221,927	(386,065)	4,265,252
Dollar General	Bakersfield, CA	12/31/2019	Retail	4,899,714	261,630	(257,482)	4,903,862
Labcorp	San Carlos, CA	12/31/2019	Industrial	9,672,174	408,225	(357,562)	9,722,837
GSA (MSHA)	Vacaville, CA	12/31/2019	Office	3,112,076	243,307	(242,401)	3,112,982
PreK Education	San Antonio, TX	12/31/2019	Retail	12,447,287	555,767	(1,006,332)	11,996,722
Dollar Tree	Morrow, GA	12/31/2019	Retail	1,320,367	73,298	(124,094)	1,269,571
Solar Turbines	San Diego, CA	12/31/2019	Office	7,133,241	284,026	(561,523)	6,855,744
Wood Group	San Diego, CA	12/31/2019	Industrial	9,869,520	539,633	(806,309)	9,602,844
ITW Rippey	El Dorado, CA	12/31/2019	Industrial	7,071,143	304,387	(532,405)	6,843,125
Dollar General	Big Spring, TX	12/31/2019	Retail	1,281,683	76,351	(89,195)	1,268,839
Gap	Rocklin, CA	12/31/2019	Office	8,407,236	360,377	(839,188)	7,928,425
L3Harris	San Diego, CA	12/31/2019	Industrial	11,631,857	454,035	(823,940)	11,261,952
Sutter Health	Rancho Cordova, CA	12/31/2019	Office	29,586,023	1,616,610	(1,890,868)	29,311,765
Walgreens	Santa Maria, CA	12/31/2019	Retail	5,223,442	335,945	(232,681)	5,326,706
				\$ 347,624,896	\$ 23,784,332	\$ (41,720,011)	\$ 329,689,217

(1) Reclassified to real estate investment held for investment and use during the second quarter of 2021 from real estate held for sale beginning September 30, 2020 (see detailed discussion below).

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Impairment Charges

During late March 2020, the Company learned that there would be a substantial impact on the commercial real estate market and specifically on fitness centers such as the Company's property leased at that time to 24 Hour Fitness USA, Inc. ("24 Hour Fitness") due to the COVID-19 pandemic and the requirement of an indefinite and potentially extended period of store closures.

On March 31, 2020, the Company received written notice from 24 Hour Fitness that due to circumstances beyond its control, including the response to the COVID-19 pandemic and directives and mandates of various governmental authorities affecting the Las Vegas, Nevada 24 Hour Fitness store leased from the Company, it would not make the April 2020 rent payment. Despite negotiations with the tenant, no further rent payments were received and on June 15, 2020, the Company received written notice that the lease was formally rejected in connection with 24 Hour Fitness' Chapter 11 bankruptcy proceeding and the premises were surrendered to the Company's subsidiary. The lender on the property agreed to temporarily reduce its \$32,000 monthly mortgage payment by \$8,000 from May through August 2020 and the Company's special purpose subsidiary determined that if it was unable to secure a replacement tenant, then it would consider allowing the lender to foreclose on, and take possession of, the property. As such, the Company concluded that it was necessary to record an impairment charge to reduce the net book value of the property to its estimated fair value.

In addition, the Company determined that the effects of the COVID-19 pandemic on the overall economy and commercial real estate market would also have negative impacts on the Company's ability to re-lease two vacant properties, the property formerly leased to Dinan Cars located in Morgan Hill, California through January 31, 2020 and the property leased to Dana, but unoccupied, located in Cedar Park, Texas.

Based on an evaluation of the value of these properties, the Company determined that impairment charges were required during the three months ended March 31, 2020 to reflect the reduction in value due to the uncertainty regarding leasing or sale prospects.

During the three months ended March 31, 2020, the Company recorded impairment charges aggregating \$9,157,068, based on the estimated fair values of the aforementioned real estate properties. During the three months ended June 30, 2020, the Company recorded an additional impairment charge of \$349,457 related to its property located in Lake Elsinore, California and leased to Rite Aid through February 29, 2028. The Company determined that the impairment charge was required, representing the excess of the property's carrying value over the property's estimated sale price less estimated selling costs for the subsequent sale.

The aggregate impairment charges of \$9,157,068 represented approximately 2.2% of the Company's total investments in real estate property before impairments as of March 31, 2020 and the impairment charge of \$349,457 represented approximately 0.1% of the Company's total investments in real estate property before impairments as of June 30, 2020. The properties formerly leased by Rite Aid, Dinan Cars, 24 Hour Fitness and Dana were sold in August, October and December 2020 and July 2021, respectively.

There were no impairment charges recorded during the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021. The details of the Company's real estate impairment charges for the nine months ended September 30, 2020 were as follows:

Property	Location	Nine Months Ended September 30, 2020
Rite Aid	Lake Elsinore, CA	\$ 349,457
Dana	Cedar Park, TX	2,184,395
24 Hour Fitness	Las Vegas, NV	5,664,517
Dinan Cars	Morgan Hill, CA	1,308,156
Total		\$ 9,506,525

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Acquisition

During the nine months ended September 30, 2021, the Company acquired the following real estate property:

Property	Acquisition Date	Land	Buildings and Improvements	Tenant Origination and Absorption Costs	Total
Raising Cane's	7/26/2021	\$ 1,902,069	\$ 1,528,155	\$ 213,997	\$ 3,644,221

During the three and nine months ended September 30, 2021, the Company recognized \$47,004 of total revenue related to the above-acquired property.

The noncancellable lease term of the property acquired during the nine months ended September 30, 2021 is as follows:

Property	Lease Expiration
Raising Cane's	2/20/2028

The Company did not acquire any real estate properties during the nine months ended September 30, 2020.

Dispositions

The dispositions during the nine months ended September 30, 2021 and 2020 were as follows:

Nine Months Ended September 30, 2021

Property	Location	Disposition Date	Property Type	Rentable Square Feet	Contract Sale Price	Gain on Sale
Chevron Gas Station	Roseville, CA	1/7/2021	Retail	3,300	\$ 4,050,000	\$ 228,769
EcoThrift	Sacramento, CA	1/29/2021	Retail	38,536	5,375,300	51,415
Chevron Gas Station	San Jose, CA	2/12/2021	Retail	1,060	4,288,888	9,458
Dana	Cedar Park, TX	7/7/2021	Industrial	45,465	10,000,000	4,127,638
				<u>88,361</u>	<u>\$ 23,714,188</u>	<u>4,417,280</u>
24 Hour Fitness Adjustment						115,133
Total						<u>\$ 4,532,413</u>

On January 7, 2021, the Company completed the sale of its Roseville, California retail property, which was leased to the operator of a Chevron gas station, for \$4,050,000, which generated net proceeds of \$3,914,909 after payment of commissions and closing costs.

On January 29, 2021, the Company completed the sale of its Sacramento, California retail property, which was leased to EcoThrift, for \$3,375,300, which generated net proceeds of \$2,684,225 after repayment of the existing mortgage, commissions and closing costs.

On February 12, 2021, the Company completed the sale of its San Jose, California retail property, which was leased to the operator of a Chevron gas station, for \$4,288,888, which generated net proceeds of \$4,054,327 after payment of commissions and closing costs.

On July 7, 2021, the Company completed the sale of its Cedar Park, Texas industrial property which was leased to Dana Incorporated, but unoccupied, for \$0,000,000, which generated net proceeds of \$4,975,334 after repayment of the existing mortgage, commissions and closing costs. Upon the sale of the property, Dana Incorporated executed a promissory note payable to the Company for its obligation to continue to pay rent of \$65,000 per month through July 2022 and pay its early termination fee of \$1,381,767 no later than July 31, 2022. The unpaid amount of the Company's note receivable of \$966,767 is presented as receivable from early termination of lease in the Company's unaudited condensed consolidated balance sheet as of September 30, 2021.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

On September 24, 2021, the Company received a notice of refund amounting to \$115,133 related to the sale of its Las Vegas, Nevada retail property on December 16, 2020, which was formerly leased to 24 Hour Fitness. The refund relates to a portion of a holdback from sales proceeds to cover expenses by the buyer to prepare the property for lease, including the payment of accrued interest, common area maintenance, taxes, insurance and other related expenses and building permits to begin construction of improvements on the property. The refund was recognized as an adjustment to the estimate of the amount which was expected to be received and was included in gain on sale of real estate investments in the accompanying unaudited condensed consolidated statements of operations.

Nine Months Ended September 30, 2020

Property	Location	Disposition Date	Property Type	Rentable Square Feet	Contract Sale Price	(Loss) Gain on Sale
Rite Aid	Lake Elsinore, CA	8/3/2020	Retail	70,960	\$ 7,250,000	\$ (422)
Walgreens	Stockbridge, GA	8/27/2020	Retail	15,120	5,538,462	1,306,768
Island Pacific	Elk Grove, CA	9/16/2020	Retail	27,296	3,155,000	387,296
Total				113,376	\$ 15,943,462	\$ 1,693,642

On August 3, 2020, the Company completed the sale of its Lake Elsinore, California retail property, which was leased to Rite Aid, for \$7,250,000, which generated net proceeds of \$3,299,016 after repayment of the existing mortgage, commissions and closing costs.

On August 27, 2020, the Company completed the sale of its Stockbridge, Georgia retail property, which was leased to Walgreens, for \$5,538,462, which generated net proceeds of \$5,296,356 after payment of commissions and closing costs.

On September 16, 2020, the Company completed the sale of its Elk Grove, California retail property, which was leased to Island Pacific, for \$3,155,000, which generated net proceeds of \$1,124,016 after repayment of the existing mortgage, commissions and closing costs.

Asset Concentration

The Company held no real estate property with a net book value that is greater than 10% of its total assets as of September 30, 2021 or December 31, 2020.

Revenue Concentration

No tenant represented the source of 10% of total revenues during the three and nine months ended September 30, 2021 nor during the three and nine months ended September 30, 2020.

Operating Leases

The Company's real estate properties are primarily leased to tenants under net leases for which terms and expirations vary. The Company monitors the credit of all tenants to stay abreast of any material changes in credit quality. The Company monitors tenant credit by (1) reviewing the credit ratings of tenants (or their parent companies or lease guarantors) that are rated by nationally recognized rating agencies; (2) reviewing financial statements and related metrics and information that are publicly available or that are required to be provided pursuant to the lease; (3) monitoring news reports and press releases regarding the tenants (or their parent companies or lease guarantors), and their underlying business and industry; and (4) monitoring the timeliness of rent collections.

During the first four months of 2020, the Company paid an aggregate of \$990,000 in lease incentives to cancel certain termination options related to two leases with Walgreens for its Santa Maria, California and Stockbridge, Georgia properties, resulting in extension of the leases for approximately 10 years each. The Stockbridge property was sold on August 27, 2020. These costs were capitalized and are amortized over the period of the extension for the Santa Maria property and were charged to cost of sale for the Stockbridge property in August 2020.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

During the second quarter of 2021, the tenant in the Company's PreK Education retail property in San Antonio, Texas exercised its option to extend its lease term for eight years from the original termination of July 31, 2021 to July 31, 2029 with an increase in monthly rent. The terms of the original lease required the Company to pay a \$2,000,000 term completion incentive upon exercise of the option and the tenant agreed to defer the timing of this payment to no later than January 31, 2022. The deferred lease incentive is presented under prepaid and other assets and the obligation is included in accounts payable, accrued and other liabilities in the Company's balance sheet as of September 30, 2021.

As of September 30, 2021, the future minimum contractual rent payments due to the Company under the Company's non-cancellable operating leases, including lease amendments executed through the date of this report are as follows:

October through December 2021	\$ 6,687,205
2022	26,946,631
2023	25,024,065
2024	24,593,849
2025	21,424,993
2026	14,552,340
Thereafter	60,307,335
	<u>\$ 179,536,418</u>

Lease Intangible Assets, Net

As of September 30, 2021, the Company's lease intangible assets were as follows:

	Tenant Origination and Absorption Costs	Above-Market Lease Intangibles	Below-Market Lease Intangibles
Cost	\$ 23,784,332	\$ 1,128,549	\$ (15,097,132)
Accumulated amortization	(12,041,766)	(405,074)	3,631,118
Net amount	<u>\$ 11,742,566</u>	<u>\$ 723,475</u>	<u>\$ (11,466,014)</u>

The intangible assets acquired in connection with the acquisitions have a weighted average amortization period of approximately 9.3 years as of September 30, 2021. As of September 30, 2021, the amortization of intangible assets for the remaining three months ending December 31, 2021 and for each of the next five years and thereafter is expected to be as follows:

	Tenant Origination and Absorption Costs	Above-Market Lease Intangibles	Below-Market Lease Intangibles
October through December 2021	\$ 792,583	\$ 32,455	\$ (363,041)
2022	2,715,030	129,823	(1,217,029)
2023	1,838,120	127,174	(921,169)
2024	1,726,446	122,543	(917,750)
2025	1,344,132	115,996	(917,750)
2026	720,006	78,557	(912,347)
Thereafter	2,606,249	116,927	(6,216,928)
	<u>\$ 11,742,566</u>	<u>\$ 723,475</u>	<u>\$ (11,466,014)</u>
Weighted-average remaining amortization period	<u>7.1 years</u>	<u>6.6 years</u>	<u>11.8 years</u>

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
(Unaudited)

Real Estate Investments Held For Sale

As a result of the COVID-19 pandemic discussed in *Note 1*, starting during the second quarter of 2020, the Company deemed it necessary to sell certain of its real estate investment properties to generate funds for share repurchases and certain debt obligations. During 2020, the Company identified nine real estate properties (eight retail properties and one industrial property) as held for sale. During the second half of 2020, five of the nine properties (four retail properties and one industrial property) were sold. Of the four remaining retail properties held for sale as of December 31, 2020, the Company sold three retail properties during the first quarter of 2021: the EcoThrift property and the two Chevron properties (see *Dispositions* above for more details). The Harley Davidson retail property, which was the only property held for sale as of March 31, 2021, was reclassified as held for investment and use during the second quarter of 2021 (see discussion in *Change in Plan of Sale* below for more details).

During the second quarter of 2021, the Company identified and reclassified the industrial property located in Cedar Park, Texas leased to Dana Incorporated, but unoccupied, as real estate investment held for sale. This property was sold on July 7, 2021.

The Company had no real estate investments classified as held for sale as of September 30, 2021. The following table summarizes the major components of assets and liabilities related to real estate investments held for sale as of December 31, 2020 related to the Harley Davidson, EcoThrift and two Chevron properties:

		December 31, 2020
Assets related to real estate investments held for sale:		
Land, buildings and improvements	\$	25,675,459
Lease origination and absorption costs		554,788
Accumulated depreciation and amortization		<u>(1,644,508)</u>
Real estate investments held for sale, net		24,585,739
Other assets, net		1,079,361
Total assets related to real estate investments held for sale:	\$	<u>25,665,100</u>
Liabilities related to real estate investments held for sale:		
Mortgage notes payable, net	\$	9,088,438
Other liabilities, net		801,337
Total liabilities related to real estate investments held for sale:	\$	<u>9,889,775</u>

The following table summarizes the major components of rental income, expenses and impairment related to the three real estate investments held for sale as of September 30, 2020 (the property previously leased to Dinan Cars located in Morgan Hill, California, the property leased to Harley Davidson located in Bedford, Texas and the property previously leased to 24 Hour Fitness located in Las Vegas, Nevada), which were included in continuing operations for the three and nine months ended September 30, 2020:

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Total revenues	\$ 366,673	\$ 2,004,279
Expenses:		
Interest expense	169,871	554,009
Depreciation and amortization	145,695	554,036
Other expenses	143,173	414,115
Impairment	—	10,097,710
Total expenses	<u>458,739</u>	<u>11,619,870</u>
Net loss	<u>\$ (92,066)</u>	<u>\$ (9,615,591)</u>

MODIV INC.
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Change in Plan of Sale

On September 30, 2020, the Company reclassified the Harley Davidson property's net book value ("NBV") of \$2,010,919 to real estate held for sale and suspended recording depreciation for the property as of that date. On December 31, 2020, the Company recorded an impairment loss of \$632,233 based on the expected net proceeds of sale of the property of \$12,117,500 compared to the property's NBV combined with the outstanding straight-line rent receivable balance. Following unsuccessful efforts to sell the property at a price which would be acceptable to the Company, the Company decided to withdraw its decision to sell the property during June 2021 and reclassified the Harley Davidson property to real estate investment held for investment and use.

At the time of the decision to reclassify the property to real estate investment held for investment and use in June 2021, the carrying value of the property would have been \$11,779,687 if continuously depreciated since September 30, 2020. The fair value of the property as of the June 2021 determination was \$1,860,000, based on management's value for the property in the June 30, 2021 NAV analysis (the most recent valuation at the time of the decision).

As provided by ASC 360-10, since the adjusted carrying value of the property of \$1,779,687 was lower than its fair value of \$1,860,000, the Company adjusted the net book value of the property to its adjusted carrying value of \$1,779,687. The recording of the property at its adjusted carrying value resulted in an adjustment to reduce the impairment loss recorded as of December 31, 2020 by \$400,999 during the second quarter of 2021.

NOTE 4. INVESTMENT IN UNCONSOLIDATED ENTITY

The Company's investment in unconsolidated entity as of September 30, 2021 and December 31, 2020 is as follows:

	September 30, 2021	December 31, 2020
The TIC Interest	\$ 9,977,144	\$ 10,002,368

The Company's income from investment in unconsolidated entity for the three and nine months ended September 30, 2021 and 2020 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
The TIC Interest	\$ 75,403	\$ 92,617	\$ 222,705	\$ 239,028

TIC Interest

During 2017, the Company, through a wholly-owned subsidiary of the Operating Partnership, acquired an approximate 72.7% interest in an industrial property in Santa Clara, California. The remaining approximate 27.3% of undivided interest in the Santa Clara property is held by Hagg Lane II, LLC (an approximate 23.4% interest) and Hagg Lane III, LLC (an approximate 3.9% interest). The manager of both Hagg Lane II, LLC and Hagg Lane III, LLC became a member of the Company's board of directors in December 2019. The Santa Clara property does not qualify as a variable interest entity and consolidation is not required as the Company's TIC Interest does not control the property. Therefore, the Company accounts for the TIC Interest using the equity method. The Company receives approximately 72.7% of the cash flow distributions and recognizes approximately 72.7% of the results of operations.

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During the three months ended September 30, 2021 and 2020, the Company received \$85,962 and \$207,950 in cash distributions, respectively, and \$247,929 and \$542,140 during the nine months ended September 30, 2021 and 2020, respectively. The following is summarized financial information for the Santa Clara property as of September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020:

	September 30, 2021	December 31, 2020
Assets:		
Real estate investments, net	\$ 29,510,151	\$ 29,906,146
Cash and cash equivalents	670,458	380,774
Other assets	176,583	164,684
Total assets	<u>\$ 30,357,192</u>	<u>\$ 30,451,604</u>
Liabilities:		
Mortgage note payable, net	\$ 13,287,876	\$ 13,489,126
Below-market lease, net	2,697,183	2,806,973
Other liabilities	343,815	92,777
Total liabilities	<u>16,328,874</u>	<u>16,388,876</u>
Total equity	<u>14,028,318</u>	<u>14,062,728</u>
Total liabilities and equity	<u>\$ 30,357,192</u>	<u>\$ 30,451,604</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total revenues	\$ 683,160	\$ 697,851	\$ 2,034,072	\$ 2,047,424
Expenses:				
Interest expense	138,616	141,935	414,258	424,544
Depreciation and amortization	250,754	250,015	750,784	749,913
Other expenses	190,086	178,522	562,738	544,225
Total expenses	<u>579,456</u>	<u>570,472</u>	<u>1,727,780</u>	<u>1,718,682</u>
Net income	<u>\$ 103,704</u>	<u>\$ 127,379</u>	<u>\$ 306,292</u>	<u>\$ 328,742</u>

NOTE 5. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill, Net

The changes in carrying value of goodwill as of September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Beginning balance	\$ 17,320,857	\$ 50,588,000
Impairment of goodwill for the nine and the 12 months period ended, respectively	—	(33,267,143)
Ending balance	<u>\$ 17,320,857</u>	<u>\$ 17,320,857</u>

MODIV INC.
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The current COVID-19 pandemic in the United States and globally, and the magnitude and uncertain duration of the economic impacts, have resulted in challenges in attracting investor equity during this period of economic weakness and volatility. The disruption in the Company's Offerings had a protracted impact on capital raising, and the recessionary pressures on the economy resulted in real estate market uncertainty and an approximate 14% decrease in the estimated fair value of the Company's real estate properties as of April 30, 2020 as compared with the estimated fair value of the Company's real estate properties as of December 31, 2019. Given these circumstances, the Company revised its capital raise projections, its projections of new investment and other factors contributing to the Company's analysis of estimated fair value of its consolidated business operations as of September 30, 2020. Since the Company is a single reporting unit, the Company performed a quantitative analysis to compare the estimated fair value of the Company's net tangible and intangible assets to the carrying value of its net tangible and intangible assets as of September 30, 2020. Since the estimated fair value of the Company's net tangible and intangible assets was less than the carrying amount of its net tangible and intangible assets, the Company recorded a goodwill impairment charge of \$33,267,143, which was reflected in the Company's net loss for the nine months ended September 30, 2020.

The Company conducted its annual impairment analysis as of December 31, 2020 using qualitative factors and concluded that no additional impairment to goodwill was necessary. Management did not identify any triggering events for the nine months ended September 30, 2021 and therefore a qualitative assessment was not required.

Intangible Assets, Net

The following table sets forth the Company's intangible assets, net as of September 30, 2021 and December 31, 2020 and their related useful lives:

Intangible Assets	Useful Life	September 30, 2021	December 31, 2020
Investor list, net	5.0 years	\$ 3,494,740	\$ 3,494,740
Web services technology, domains and licenses	3.0 years	3,661,852	3,466,102
		7,156,592	6,960,842
Accumulated amortization		(3,230,583)	(1,833,054)
Net		<u>\$ 3,926,009</u>	<u>\$ 5,127,788</u>

Amortization expense for the three months ended September 30, 2021 and 2020 amounted to \$71,790 and \$446,921, respectively, and for the nine months ended September 30, 2021 and 2020 amounted to \$1,397,529 and \$1,372,910, respectively.

As discussed above, the COVID-19 pandemic caused significant disruptions in the economy and uncertainties in the investment markets. Based on the impacts on the Company's investors and the economy, the Company evaluated the fair value of intangibles to determine if they exceeded the respective carrying values and determined that a portion of the investor list would no longer be viable and, therefore, the Company recorded an impairment charge of \$1,305,260, which was reflected in the Company's net loss for the nine months ended September 30, 2020.

The estimated amortization expense for the remainder of 2021 and the succeeding fiscal years is as follows: October 2021 to December 2021, \$76,456; 2022, \$1,905,826; 2023, \$815,228; and 2024, \$728,499.

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NOTE 6. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS DETAILS***Tenant Receivables, Net***

Tenant receivables consisted of the following:

	September 30, 2021	December 31, 2020
Straight-line rent	\$ 5,399,340	\$ 4,344,388
Tenant rent	98,363	204,775
Tenant reimbursements	1,849,245	2,116,627
Total	<u>\$ 7,346,948</u>	<u>\$ 6,665,790</u>

Accounts Payable, Accrued and Other Liabilities

Accounts payable, accrued and other liabilities were comprised of the following:

	September 30, 2021	December 31, 2020
Accounts payable	\$ 1,214,828	\$ 1,136,954
Accrued expenses	3,575,331	3,068,714
Accrued distributions	786,120	706,106
Accrued interest payable	611,507	629,628
Unearned rent	1,591,992	2,033,065
Lease incentive obligation	2,133,695	5,157
Total	<u>\$ 9,913,473</u>	<u>\$ 7,579,624</u>

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NOTE 7. DEBT

Mortgage Notes Payable, Net

As of September 30, 2021 and December 31, 2020, the Company's mortgage notes payable consisted of the following:

Collateral	2021 Principal Amount	2020 Principal Amount	Contractual Interest Rate (1)	Effective Interest Rate (1)	Loan Maturity
Accredo property	\$ 8,538,000	\$ 8,538,000	3.80%	3.80%	8/1/2025
Six Dollar General properties	3,693,074	3,747,520	4.69%	4.69%	4/1/2022
Dana property	—	4,466,865	4.56%	4.56%	4/1/2023
Northrop Grumman property (8)	6,971,012	5,518,589	3.35%	3.35%	5/21/2031
exp US Services property	3,272,333	3,321,931	(4)	4.25%	11/17/2024
Harley Davidson property (2)	6,525,824	—	4.25%	4.25%	9/1/2024
Wyndham property (3)	5,522,100	5,607,000	One-month LIBOR + 2.05%	4.34%	6/5/2027
Williams Sonoma property (3)	4,368,000	4,438,200	One-month LIBOR + 2.05%	4.34%	6/5/2022
Omnicare property	4,130,640	4,193,171	4.36%	4.36%	5/1/2026
EMCOR property	2,771,646	2,811,539	4.35%	4.35%	12/1/2024
Husqvarna property	6,379,182	6,379,182	(5)	4.60%	2/20/2028
AvAir property	19,950,000	19,950,000	3.80%	3.80%	8/1/2025
3M property	8,058,500	8,166,000	One-month LIBOR + 2.25%	5.09%	3/29/2023
Cummins property	8,222,700	8,332,200	One-month LIBOR + 2.25%	5.16%	4/4/2023
Texas Health property	4,304,825	4,363,203	4.00%	4.00%	12/5/2024
Bon Secours property	5,124,127	5,180,552	5.41%	5.41%	9/15/2026
Costco property	18,850,000	18,850,000	4.85%	4.85%	1/1/2030
Taylor Fresh Foods	12,350,000	12,350,000	3.85%	3.85%	11/1/2029
Levins property (6)	2,671,067	2,032,332	3.75%	3.75%	2/16/2026
Dollar General Bakersfield property (6)	2,244,201	2,268,922	3.65%	3.65%	2/16/2028
Labcorp property (6)	5,342,133	4,020,418	3.75%	3.75%	2/16/2026
GSA (MSHA) property (6)	1,728,428	1,752,092	3.65%	3.65%	2/16/2026
PreK Education property (7)	4,957,705	5,037,846	4.25%	4.25%	12/1/2021
Solar Turbines, Amec Foster, ITW Rippey properties (7)	9,044,276	9,214,700	3.35%	3.35%	11/1/2026
Dollar General Big Spring property (7)	590,962	599,756	4.50%	4.50%	4/1/2022
Gap property (7)	3,512,484	3,569,990	4.15%	4.15%	8/1/2023
L3Harris property (8)	6,260,223	5,185,929	3.35%	3.35%	5/21/2031
Sutter Health property (7)	13,669,395	13,879,655	4.50%	4.50%	3/9/2024
Walgreens property (7)	3,094,060	3,172,846	4.25%	4.25%	7/16/2030
Total mortgage notes payable	182,146,897	176,948,438			
Plus unamortized mortgage premium, net (9)	239,979	447,471			
Less unamortized deferred financing costs	(1,472,537)	(1,469,991)			
Mortgage notes payable, net	<u>\$ 180,914,339</u>	<u>\$ 175,925,918</u>			

- (1) Contractual interest rate represents the interest rate in effect under the mortgage note payable as of September 30, 2021. Effective interest rate is calculated as the actual interest rate in effect as of September 30, 2021, consisting of the contractual interest rate and the effect of the interest rate swap, if applicable (see *Note 8* for further information regarding the Company's derivative instruments).
- (2) Reclassified to mortgage note payable at June 30, 2021 from mortgage note payable related to real estate investments held for sale as of December 31, 2020 due to a subsequent decision not to sell the real estate investment property securing the loan which was reclassified back to assets held and used from assets held for sale (see *Note 3* for additional information).

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- (3) The loans on each of the Williams Sonoma and Wyndham properties (collectively, the “Property”) located in Summerlin, Nevada were originated by Nevada State Bank (“Bank”). The loans are collateralized by a deed of trust and a security agreement with assignment of rents and fixture filing. In addition, the individual loans are subject to a cross collateralization and cross default agreement whereby any default under, or failure to comply with the terms of any one or both of the loans, is an event of default under the terms of both loans. The value of the Property must be in an amount sufficient to maintain a loan to value ratio of no more than 60%. If the loan to value ratio is ever more than 60%, the borrower shall, upon the Bank’s written demand, reduce the principal balance of the loans so that the loan to value ratio is no more than 60%.
- (4) The initial contractual interest rate is 4.25% and starting November 18, 2022, the interest rate becomes the U.S. Treasury Bill index rate plus 0.25%.
- (5) The initial contractual interest rate is 4.60% through February 20, 2023 and then the greater of 4.60% or five-year Treasury Constant Maturity (“TCM”) plus 0.25% through February 20, 2028.
- (6) The mortgage note as of September 30, 2021 was refinanced on March 5, 2021 with a new lender and terms. The mortgage note as of December 31, 2020 was acquired through the Merger on December 31, 2019.
- (7) The loan was acquired through the Merger on December 31, 2019.
- (8) The loans on the Northrop Grumman and L3Harris properties were refinanced during the second quarter of 2021. The initial contractual interest rate is 3.35% through June 1, 2026 and then the Prime Rate in effect as of June 1, 2026 plus 0.25% through May 21, 2031; provided that the second fixed interest rate will not be lower than 3.35% per annum.
- (9) Represents unamortized net mortgage premium acquired through the Merger.

The following summarizes the face value, carrying amount and fair value of the Company’s mortgage notes payable (Level 3 measurement) as of September 30, 2021 and December 31, 2020:

	September 30, 2021			December 31, 2020		
	Face Value	Carrying Value	Fair Value	Face value	Carrying Value	Fair Value
Mortgage notes payable	\$ 182,146,897	\$ 180,914,339	\$ 183,304,467	\$ 176,948,438	\$ 175,925,918	\$ 177,573,106

Disclosures of the fair values of financial instruments are based on pertinent information available to the Company as of the period end and require a significant amount of judgment. The actual value could be materially different from the Company’s estimate of fair value.

Mortgage Notes Payable Related to Real Estate Investments Held For Sale, Net

As discussed in detail in *Note 3*, the Company classified two properties as real estate held for sale as of December 31, 2020, which were collateral for mortgage notes payable. No properties were classified as held for sale as of September 30, 2021. The following table summarizes the Company’s mortgage notes payable related to real estate investments held for sale as of December 31, 2020:

	Collateral	December 31, 2020
by Davidson property		\$ 6,623,346
thrift property		2,573,509
total		9,196,855
unamortized mortgage premium		1,550
deferred financing costs		(109,967)
mortgage notes payable, net		\$ 9,088,438

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Credit Facility, Net

The details of the Company's credit facilities as of September 30, 2021 and December 31, 2020 follow:

	September 30, 2021	December 31, 2020
Credit facility	\$ —	\$ 6,000,000
Less unamortized deferred financing costs	—	(21,724)
Credit facility, net	<u>\$ —</u>	<u>\$ 5,978,276</u>

On March 29, 2021, the Company entered into a new credit facility with Banc of California (the "Credit Facility") for an aggregate line of credit of \$2,000,000 with a maturity date of March 30, 2023, which replaced the prior credit facility provided by Pacific Mercantile Bank ("PMB") with a balance outstanding of \$6,000,000 as of December 31, 2020. The Company borrowed \$6,000,000 under the Credit Facility and repaid the \$6,000,000 that was owed to PMB on March 31, 2021. The Credit Facility provides the Company with a \$17,000,000 revolving line of credit for real estate acquisitions (including the \$6,000,000 borrowed to repay PMB) and an additional \$5,000,000 revolving line of credit for working capital. Under the terms of the Credit Facility, the Company will pay a variable rate of interest on outstanding amounts equal to one percentage point over the prime rate published in The Wall Street Journal, provided that the interest rate in effect on any one day shall not be less than 4.75% per annum. The Company paid Banc of California origination fees of \$77,000 in connection with the Credit Facility and will pay an unused commitment fee of 0.15% per annum of the unused portion of the Credit Facility, charged quarterly in arrears based on the average unused commitment available under the Credit Facility.

The Credit Facility's unamortized deferred financing costs of \$97,092 as of September 30, 2021 were reclassified and presented under prepaid and other assets in the Company's unaudited condensed consolidated balance sheet as of September 30, 2021. Effective December 31, 2021, the Company will present the Credit Facility's unamortized deferred financing costs for the comparative periods under prepaid and other assets in the consolidated balance sheets and will disclose the unamortized values in the consolidated notes to the financial statements.

The Credit Facility is secured by substantially all of the Company's tangible and intangible assets, including intellectual property. The Credit Facility requires the Company to maintain a minimum debt service coverage ratio of 1.25 to 1.00 and minimum tangible NAV (as defined in the loan agreement) of \$120,000,000, measured quarterly. Mr. Wirta, the Company's Chairman, and the Wirta Family Trust guaranteed the \$6,000,000 initial borrowing, which guarantee expired upon the full repayment of the \$6,000,000 in August 2021. Mr. Wirta and the Wirta Family Trust have also guaranteed the \$5,000,000 revolving line of credit for working capital. On March 29, 2021, the Company entered into an updated indemnification agreement with Mr. Wirta and the Wirta Family Trust with respect to their guarantees of borrowings under the Credit Facility pursuant to which the Company agreed to indemnify Mr. Wirta and the Wirta Family Trust if they are required to make payments to Banc of California pursuant to such guarantees.

The Credit Facility contains customary representations, warranties and covenants, which are substantially similar to those in the Company's prior credit facility provided by PMB. The Company's ability to borrow under the Credit Facility will be subject to its ongoing compliance with various affirmative and negative covenants, including with respect to indebtedness, guaranties, mergers and asset sales, liens, tangible net worth, corporate existence and financial reporting obligations. The Credit Facility also contains customary events of default, including, without limitation, nonpayment of principal, interest, fees or other amounts when due, violation of covenants, breaches of representations or warranties and change of ownership. Upon the occurrence of an event of default, Banc of California may accelerate the repayment of amounts outstanding under the Credit Facility, take possession of any collateral securing the Credit Facility and exercise other remedies subject, in certain instances, to the expiration of an applicable cure period.

Short-term Notes Payable

In connection with the Self-Management Transaction, the Company assumed from BrixInvest its unsecured short-term notes payable (formerly known as "Convertible Promissory Notes") of \$4,800,000 on December 31, 2019. All of these notes were repaid by April 6, 2020.

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Economic Relief Notes Payable

On April 20, 2020, a subsidiary of the Company entered into a loan agreement and promissory note evidencing an unsecured loan in the aggregate amount of \$17,000 made to this subsidiary under the Paycheck Protection Program (“PPP”) of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The PPP is administered by the U.S. Small Business Administration (the “SBA”). Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. In December 2020, the subsidiary of the Company submitted its application for forgiveness of the total amount of the loan to PMB. After PMB’s review, the Company updated its forgiveness application on February 10, 2021, PMB submitted the application to the SBA on February 10, 2021, and on February 16, 2021, the subsidiary of the Company was notified by PMB that the Company’s application for forgiveness of the PPP loan had been approved by the SBA in the full amount of \$517,000. Accordingly, the forgiveness of the PPP loan was recorded as other income in the first quarter of 2021.

Compliance with All Debt Agreements

The Company’s maximum leverage, as defined and approved by the board of directors, including all of the independent directors, is 55% of the aggregate value of the Company’s tangible assets. The Company uses available leverage based on the relative cost of debt and equity capital, and to address strategic borrowing advantages potentially available to the Company.

Pursuant to the terms of mortgage notes payable on certain of the Company’s properties and the Credit Facility, the Company and/or the borrowers are subject to certain financial loan covenants. The Company and/or the borrowers were in compliance with such financial loan covenants as of September 30, 2021.

The following summarizes the future principal repayments of the Company’s mortgage notes payable and credit facility as of September 30, 2021:

	Mortgage Notes Payable	Credit Facility	Total
October through December 2021	\$ 5,578,530	\$ —	\$ 5,578,530
2022	11,173,350	—	11,173,350
2023	22,204,003	—	22,204,003
2024	31,565,888	—	31,565,888
2025	28,970,170	—	28,970,170
2026	26,484,067	—	26,484,067
Thereafter	56,170,889	—	56,170,889
Total principal	182,146,897	—	182,146,897
Plus unamortized mortgage premium, net of unamortized discount	239,979	—	239,979
Less deferred financing costs	(1,472,537)	—	(1,472,537)
Net principal	\$ 180,914,339	\$ —	\$ 180,914,339

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Interest Expense

The following is a reconciliation of the components of interest expense for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Mortgage notes payable:				
Interest expense	\$ 1,812,254	\$ 2,154,363	\$ 5,638,890	\$ 6,454,546
Amortization of deferred financing costs and mortgage premium, net	141,235	435,179	355,661	693,810
Prepayment penalties	—	190,574	23,900	237,574
(Gain) loss on interest rate swaps (1)	(166,539)	(231,207)	(586,782)	1,164,490
Credit facilities:				
Interest expense	27,486	128,333	169,571	449,791
Amortization of deferred financing costs	16,605	42,288	60,468	117,624
Other	504	12,998	49,622	78,226
Total interest expense	\$ 1,831,545	\$ 2,732,528	\$ 5,711,330	\$ 9,196,061

- (1) Includes unrealized (gain) loss on interest rate swaps of \$(166,338) and \$(272,912) for the three months ended September 30, 2021 and 2020, respectively, and \$(684,057) and \$1,019,840 for the nine months ended September 30, 2021 and 2020, respectively (see Note 8 for more details). Accrued interest payable of \$54,980 and \$45,636 as of September 30, 2021 and December 31, 2020, respectively, represents the unsettled portion of the interest rate swaps for the period from origination of the interest rate swap through the respective balance sheet dates.

NOTE 8. INTEREST RATE SWAP DERIVATIVES

The Company, through its limited liability company subsidiaries, entered into interest rate swap agreements with amortizing notional amounts relating to four of its mortgage notes payable. Four additional swap agreements assumed in conjunction with the Merger which were in place as of December 31, 2020 were terminated in due course or were terminated in connection with asset sales and refinancings during the nine months ended September 30, 2021. The notional amount is an indication of the extent of the Company's involvement in each instrument at that time, but does not represent exposure to credit, interest rate or market risks.

The following table summarizes the notional amount and other information related to the Company's interest rate swaps as of September 30, 2021 and December 31, 2020, respectively:

Derivative Instruments	September 30, 2021					December 31, 2020				
	Number of Instruments	Notional Amount (i)	Reference Rate (ii)	Weighted Average Fixed Pay Rate	Weighted Average Remaining Term	Number of Instruments	Notional Amount (i)	Reference Rate (iii)	Weighted Average Fixed Pay Rate	Weighted Average Remaining Term
Interest Rate Swap Derivatives (iv)	4	\$ 26,171,300	One-month LIBOR + applicable spread/Fixed at 4.05%-5.16%	4.53 %	2.3 years	8	\$ 36,617,164	One-month LIBOR + applicable spread/Fixed at 3.13%-5.16%	3.35 %	2.2 years

- (i) The notional amount of the Company's swaps decreases each month to correspond to the outstanding principal balance on the related mortgage. The minimum notional amounts (outstanding principal balance at the maturity date) as of September 30, 2021 and December 31, 2020 were \$24,935,999 and \$34,989,063, respectively.
- (ii) The reference rate was as of September 30, 2021.
- (iii) The reference rate was as of December 31, 2020.

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(iv) During the three months ended September 30, 2020, the Company terminated the swap agreements related to the Rite Aid and Island Pacific properties at aggregate costs of \$52,200. No termination of swap agreements were made during the three months ended September 30, 2021. During the nine months ended September 30, 2021 and 2020, the Company terminated swap agreements related to the GSA and Eco-Thrift properties at aggregate costs of \$23,900 and terminated the swap agreements related to the Dinan, Rite Aid and Island Pacific properties at aggregate costs of \$99,200, respectively.

The following table sets forth the fair value of the Company's derivative instruments (Level 2 measurement), as well as their classification in the unaudited condensed consolidated balance sheets:

Derivative Instrument	Balance Sheet Location	September 30, 2021		December 31, 2020	
		Number of Instruments	Fair Value	Number of Instruments	Fair Value
Interest Rate Swaps	Asset - Interest rate swap derivatives, at fair value	—	\$ —	—	\$ —
Interest Rate Swaps	Liability - Interest rate swap derivatives, at fair value	4	\$ (1,073,998)	8	\$ (1,743,889)

The change in fair value of a derivative instrument that is not designated as a cash flow hedge for financial accounting purposes is recorded as interest expense in the unaudited condensed consolidated statements of operations. None of the Company's derivatives at September 30, 2021 or December 31, 2020 were designated as hedging instruments; therefore, the net unrealized (gain) loss recognized on interest rate swaps of \$(166,338) and \$(272,912) was recorded as a decrease in interest expense for the three months ended September 30, 2021 and 2020, respectively, and \$(684,057) and \$1,019,840 was recorded as a (decrease) increase in interest expense for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 9. PREFERRED STOCK

Preferred Stock

The Company is authorized to issue up to 50,000,000 shares of preferred stock. In connection with an underwritten public offering in September 2021 (discussed below in detail), the Company classified and designated 2,000,000 shares of its authorized preferred stock as authorized shares of Series A Preferred Stock. As of September 30, 2021, 2,000,000 shares of authorized Series A Preferred Stock were issued and outstanding.

Underwritten Offering - Series A Preferred Stock

On September 14, 2021, the Company and the Operating Partnership entered into the Underwriting Agreement with the Underwriters, pursuant to which the Company agreed to issue and sell 1,800,000 shares of the Company's Series A Preferred Stock, with a liquidation preference of \$25.00 per share, in the Preferred Offering at a price per share of \$25.00. In addition, the Company granted the Underwriters a 30-day option to purchase up to an additional 200,000 shares of the Series A Preferred Stock, which the Underwriters exercised in full on September 16, 2021.

In the Underwriting Agreement, the Company and the Operating Partnership made certain customary representations, warranties and covenants and agreed to indemnify the Underwriters against certain liabilities. The issuance and sale of the shares of Series A Preferred Stock, including the issuance and sale of 200,000 shares pursuant to the Underwriters' full exercise of their option to purchase additional shares, closed on September 17, 2021. The gross proceeds from the Preferred Offering were \$50,000,000 and the net proceeds were \$47,570,374, after deducting the underwriting discount of \$1,575,000 and other offering costs of \$854,626.

The Company contributed the net proceeds from the Preferred Offering to the Operating Partnership in exchange for a new class of 7.375% Series A Cumulative Redeemable Perpetual Preferred Units of the Operating Partnership (the "Series A Preferred Units"), which have economic interests that are substantially similar to the designations, preferences and other rights of Series A Preferred Stock. The Company, acting through the Operating Partnership, intends to use the net proceeds from such contribution for general corporate purposes, which is expected to include purchases of additional properties and other real estate and real estate-related assets (see *Note 13* for pending real estate investment acquisitions).

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
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Series A Preferred Stock - Terms

Holders of Series A Preferred Stock are entitled to cumulative dividends in the amount of \$1.84375 per share each year, which is equivalent to the rate of 7.375% of the \$25.00 liquidation preference per share per annum. The Series A Preferred Stock has no stated maturity and will remain outstanding indefinitely unless redeemed, converted or otherwise repurchased. Except in limited circumstances relating to the Company's qualification as a REIT for U.S. federal income tax purposes, and as described in the articles supplementary governing the terms of the Series A Preferred Stock (the "Articles Supplementary"), the Series A Preferred Stock is not redeemable prior to September 17, 2026.

On and after September 17, 2026, at any time and from time to time, the Series A Preferred Stock will be redeemable in whole or in part, at the Company's option, at a cash redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not authorized or declared), if any, to, but not including, the redemption date. In addition, upon the occurrence of a Delisting Event or a Change of Control (each as defined in the Articles Supplementary), the Company may, subject to certain conditions, at its option, redeem the Series A Preferred Stock, in whole or in part, (i) after the first date on which the Delisting Event occurred or (ii) on, or within 120 days after, the first date on which the Change of Control occurred, as applicable, by paying the liquidation preference of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not authorized or declared), if any, to, but not including, the redemption date.

Upon the occurrence of a Change of Control during a continuing Delisting Event, unless the Company has elected to exercise its redemption right, holders of the Series A Preferred Stock will have certain rights to convert the Series A Preferred Stock into shares of the Company's Class C common stock. In addition, upon the occurrence of a Delisting Event, the dividend rate will be increased on the day after the occurrence of the Delisting Event by 2.00% per annum to the rate of 9.375% of the \$25.00 liquidation preference per share per annum (equivalent to \$2.34375 per share each year) from and after the date of the Delisting Event. Following the cure of such Delisting Event, the dividend rate will revert to the rate of 7.375% of the \$25.00 liquidation preference per share per annum. The necessary conditions to convert the Series A Preferred Stock into the Company's Class C common stock have not been met as of September 30, 2021. Therefore, the Series A Preferred Stock did not impact the Company's earnings per share calculations for the three and nine months ended September 30, 2021.

The Series A Preferred Stock ranks senior to the Company's Class C common stock and Class S common stock, with respect to dividend rights and rights upon Company's or voluntary or involuntary liquidation, dissolution or winding up.

Voting rights for holders of Series A Preferred Stock exist primarily with respect to the ability to elect two additional directors to the board of directors if six or more quarterly dividends (whether or not authorized or declared or consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to the Company's charter (which includes the Articles Supplementary) that materially and adversely affect the rights of the Series A Preferred Stock or create additional classes or series of shares of the Company's capital stock that are senior to the Series A Preferred Stock. Other than the limited circumstances described above and in the Articles Supplementary, holders of Series A Preferred Stock do not have any voting rights.

Series A Preferred Stock Dividend

Dividends on the Company's Series A Preferred Stock accrue in an amount equal to \$1.84375 per share each year (\$0.460938 per share per quarter) to holders of Series A Preferred Stock, which is equivalent to 7.375% of the \$25.00 liquidation preference per share per annum. Dividends on the Series A Preferred Stock are cumulative and payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not a business day, the next succeeding business day) to holders of record on applicable record date. The first quarterly dividend for the Series A Preferred Stock sold in the Preferred Offering will be paid on January 15, 2022 and will represent an accrual for more than a full quarter, covering the period from September 17, 2021 to, and including, December 31, 2021. As of September 30, 2021, the Company has accrued dividends of \$143,403. Any accrued and unpaid dividends payable with respect to the Series A Preferred Stock become part of the liquidation preference thereof. On November 11, 2021, the Company's board of directors declared Series A Preferred Stock distributions payable of \$1,065,278 for the fourth quarter of 2021, including the \$143,403 of accrued dividends as of September 30, 2021, which are payable on January 15, 2022 (see *Note 13*).

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Notes to Condensed Consolidated Financial Statements (continued)
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NOTE 10. RELATED PARTY TRANSACTIONS

The Company pays the members of its board of directors who are not executive officers for services rendered through cash payments or by issuing shares of Class C common stock to them. The total fees incurred for board services and paid by the Company for the three and nine months ended September 30, 2021 and 2020, is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Board of Directors Compensation				
Cash paid for services rendered	\$ 25,000	\$ 18,750	\$ 85,000	\$ 50,000
Value of shares issued for services rendered	95,000	82,500	275,000	255,833
Total	<u>\$ 120,000</u>	<u>\$ 101,250</u>	<u>\$ 360,000</u>	<u>\$ 305,833</u>
Number of shares issued for services rendered (*)	<u>3,647</u>	<u>3,929</u>	<u>12,168</u>	<u>11,022</u>

* Adjusted for the 1:3 reverse stock split for the three and nine months ended September 30, 2020.

As of September 30, 2020, \$101,250 was accrued for the second quarter of 2020 services. This amount was paid in July 2020 by paying cash of \$1,250 and issuing 4,821 shares of Class C common stock (adjusted for the 1:3 reverse stock split).

Related Party Transactions with Unconsolidated Entities

The Company's taxable REIT subsidiary serves as the asset manager of the TIC Interest property and earned asset management fees of \$7,984 for both the three months ended September 30, 2021 and 2020, respectively, and \$95,967 for both the nine months ended September 30, 2021 and 2020, respectively.

Transactions with Other Related Parties

Effective February 3, 2020, the Company's indirect subsidiary, Modiv Advisors, LLC, became the advisor to BRIX REIT, Inc., a REIT originally sponsored by BrixInvest, which also sponsored the Company until the Self-Management Transaction on December 31, 2019. During the three and nine months ended September 30, 2021 and 2020, no business transactions occurred between the Company and BRIX REIT, Inc. other than minor expenses advanced.

On March 2, 2020, the Company borrowed a total of \$4,000,000, secured by mortgages on its two Chevron properties, from the Company's Chairman, Mr. Wirta. The Company's conflicts committee approved the terms of these mortgages which bore interest at an annual rate of 8% and were scheduled to mature on June 2, 2020. On June 1, 2020, the maturity date of these mortgages was extended to September 1, 2020 on the same terms, along with an option for a further extension to November 30, 2020 at the Company's election prior to August 18, 2020, which the Company elected not to exercise. On July 31, 2020 and August 28, 2020, the mortgages secured by the Chevron San Jose, California property and Chevron Roseville, California property, each for \$2,000,000, were repaid along with all related accrued interest.

Due to Affiliates

In connection with the Self-Management Transaction, the Company assumed two notes payable aggregating \$630,820 on December 31, 2019 owed to Mr. Wirta, the Company's Chairman. The notes payable had identical terms including a fixed interest rate of 10% paid semi-monthly and a maturity date of April 23, 2020. The remaining principal amount of \$218,931 due for each note, aggregating \$437,862, was paid on the maturity date. The repayments are reflected in the change in due to affiliates in the accompanying unaudited statement of cash flows for the nine months ended September 30, 2020.

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Notes to Condensed Consolidated Financial Statements (continued)
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NOTE 11. COMMITMENTS AND CONTINGENCIES

Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. Although there can be no assurance, the Company is not aware of any environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's properties, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to the property could result in future environmental liabilities.

Tenant Improvements

Pursuant to lease agreements, as of September 30, 2021 and December 31, 2020, the Company had obligations to pay \$189,136 and \$60,598, respectively, for on-site and tenant improvements to be incurred by tenants. As of September 30, 2021 and December 31, 2020, the Company had \$2,271,462 and \$92,684 of restricted cash held to fund other building improvements, tenant improvements and leasing commissions.

Redemption of Common Stock

The Company has a share repurchase program that enables qualifying stockholders to sell their Class C common stock or Class S common stock to the Company in limited circumstances. The maximum amount of common stock that may be repurchased per month is limited to no more than 2% of the Company's most recently determined aggregate NAV. Repurchases for any calendar quarter are limited to no more than 5% of its most recently determined aggregate NAV. The foregoing repurchase limitations are based on "net repurchases" during a quarter or month, as applicable. Thus, for any given calendar quarter or month, the maximum amount of repurchases during that quarter or month will be equal to (1) 5% or 2% (as applicable) of the Company's most recently determined aggregate NAV, plus (2) proceeds from sales of new shares in the Registered Offerings and Class S Offering (including purchases pursuant to its Registered DRP Offering) since the beginning of a current calendar quarter or month, less (3) repurchase proceeds paid since the beginning of the current calendar quarter or month.

The Company has the discretion to repurchase fewer shares than have been requested to be repurchased in a particular month or quarter, or to repurchase no shares at all, in the event that it lacks readily available funds to do so due to market conditions beyond the Company's control, it needs to maintain liquidity for its operations, or because the Company determines that investing in real property or other investments is a better use of its capital than repurchasing its shares. In the event that the Company repurchases some but not all of the shares submitted for repurchase in a given period, shares submitted for repurchase during such period will be repurchased on a pro-rata basis, subject to any Extraordinary Circumstance Repurchase (defined below).

The Company has the discretion, but not the obligation, under extraordinary market or economic circumstances, to make a special repurchase in equal, nominal quantities of shares from all stockholders who have submitted share repurchase requests during the period ("Extraordinary Circumstance Repurchase"). Extraordinary Circumstance Repurchases will precede any pro rata share repurchases that may be made during the period.

As further discussed in Note 13, on November 4, 2021, the Company's board of directors approved management's recommendation to terminate the Company's Class C and Class S share repurchase programs and the Company does not plan to make any further share repurchases.

MODIV INC.
Notes to Condensed Consolidated Financial Statements (continued)
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Legal Matters

From time-to-time, the Company may become party to legal proceedings that arise in the ordinary course of its business. Other than as described below, the Company is not a party to any legal proceeding, nor is the Company aware of any pending or threatened litigation that could have a material adverse effect on the Company’s business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

On September 18, 2019, a lawsuit was filed in the Superior Court of the State of California, County of Los Angeles (the “State Court Action”), against the former advisor by Clay Kramer, one of the former advisor's former employees. Kramer was previously the former advisor's Chief Digital Officer, who along with six other employees was subject to a reduction in force, communicated to all in advance, that was a result of financial constraints of the former advisor which necessitated the elimination of numerous job positions in May 2019. In the lawsuit, Kramer claims he was terminated in retaliation for his purported whistleblowing with respect to alleged attempts to plagiarize materials and for alleged misleading statements made by the former advisor. In September 2020, the State Court Action was removed to the United States District Court, Central District of California (“U.S. District Court”). On June 14, 2021, the U.S. District Court scheduled a jury trial commencing April 11, 2022 and depositions and discovery are in process. The Company is not a party to the lawsuit. The former advisor has denied all the accusations and allegations in the complaint and the former advisor intends to vigorously defend against the claims made by the plaintiff.

NOTE 12. OPERATING PARTNERSHIP UNITS

Class M OP Units

On September 19, 2019, the Company, the Operating Partnership, BrixInvest and Daisho OP Holdings, LLC, a formerly wholly owned subsidiary of BrixInvest (“Daisho”) which was spun off from BrixInvest on December 31, 2019, entered into the Contribution Agreement pursuant to which the Company agreed to acquire substantially all of the net assets of BrixInvest in exchange for 657,949.5 Class M OP Units in the Operating Partnership and assumed certain liabilities. The consideration transferred as of December 31, 2019 was determined to have a fair value of \$50,603,000 based on a probability weighted analysis of achieving the requisite assets under management (“AUM”) and adjusted funds from operations (“AFFO”) hurdles.

The Class M OP Units were issued to Daisho on December 31, 2019 in connection with the Self-Management Transaction and are non-voting, non-dividend accruing, and were not able to be converted or exchanged prior to the one-year anniversary of the Self-Management Transaction. Investors holding units in BrixInvest received Daisho units in a ratio of 1:1 for an aggregate of 657,949.5 Daisho units. During 2020, Daisho distributed the Class M OP Units to its members. The Class M OP Units are convertible into Class C OP Units at a conversion ratio of 1.6667 Class C OP Units for each one Class M OP Unit (adjusted for the 1:3 reverse stock split on February 1, 2021), subject to a reduction in the conversion ratio (which reduction will vary depending upon the amount of time held) if the exchange occurs prior to the four-year anniversary of the completion of the Self-Management Transaction. In the event that the Class M OP Units are converted into Class C OP Units prior to December 31, 2023, such Class M OP Units shall be exchanged at the rate indicated below:

Date of Exchange	Early Conversion Rate
From December 31, 2020 to December 30, 2021	50% of the Class M conversion ratio
From December 31, 2021 to December 30, 2022	60% of the Class M conversion ratio
From December 31, 2022 to December 30, 2023	70% of the Class M conversion ratio

The Class M OP Units are eligible for an increase in the conversion ratio (conversion ratio enhancement) if the Company achieves both of the targets for AUM and AFFO in a given year as set forth below and as adjusted for the 1:3 reverse stock split:

	Hurdles		Class M Conversion Ratio
	AUM (\$ in billions)	AFFO Per Share (\$)	
Initial Conversion Ratio			1:1.6667
Fiscal Year 2021	\$ 0.860	\$ 1.77	1:1.9167
Fiscal Year 2022	\$ 1.175	\$ 1.95	1:2.5000
Fiscal Year 2023	\$ 1.551	\$ 2.10	1:3.0000

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Notes to Condensed Consolidated Financial Statements (continued)
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Based on the current conversion ratio of 1.6667 Class C OP Units (adjusted for the 1:3 reverse stock split) for each one Class M OP Unit, if a Class M OP Unit is converted on or after December 31, 2023, and based on the NAV per share of \$27.29 (unaudited) as of September 30, 2021, a Class M OP Unit would be valued at \$45.48 (unaudited). This NAV does not reflect the early conversion rate or the future conversion enhancement ratio of the Class M OP Units and Class P OP Units, as discussed above.

Class P OP Units

The Company also issued a portion of the Class P OP Units described below in connection with the Self-Management Transaction. The Class P OP Units are intended to be treated as “profits interests” in the Operating Partnership, which are non-voting, non-dividend accruing, and are not able to be transferred or exchanged prior to the earlier of (1) March 31, 2024, (2) a change of control (as defined in the Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended (the “Amended OP Agreement”)), or (3) the date of the recipient's involuntary termination (as defined in the relevant award agreement for the Class P OP Units) (collectively, the “Lockup Period”). Following the expiration of the Lockup Period, the Class P OP Units are convertible into Class C OP Units at a conversion ratio of 1.6667 Class C OP Units (adjusted for the 1:3 reverse stock split) for each one Class P OP Unit; provided, however, that the foregoing conversion ratio shall be subject to increase on generally the same terms and conditions as the Class M OP Units, as set forth above.

The Company issued a total of 56,029 Class P OP Units to Messrs. Aaron S. Halfacre, the Company’s Chief Executive Officer and President, and Raymond J. Pacini, the Company’s Chief Financial Officer, including 26,318 Class P OP Units issued in exchange for Messrs. Halfacre's and Pacini's agreements to forfeit a similar number of restricted units in BrixInvest in connection with the Self-Management Transaction. The remaining 29,711 Class P OP Units were issued to these executives as a portion of their incentive compensation for 2020 in connection with their entry into restrictive covenant agreements. The 29,711 Class P OP Units were valued based on the estimated NAV per share of \$30.48 (unaudited and adjusted for the 1:3 reverse stock split) when issued on December 31, 2019 and the expected minimum conversion ratio of 1.6667 Class C OP Units (adjusted for the 1:3 reverse stock split) for each one Class P OP Unit, which resulted in a valuation of \$1,509,319. This amount is amortized on a straight-line basis over 51 months through March 31, 2024, the expected vesting date of the units, as a periodic charge to stock compensation expense.

During the three months ended September 30, 2021 and 2020, the Company amortized and charged \$88,783 and \$88,784, respectively, and during the nine months ended September 30, 2021 and 2020, the Company amortized and charged \$266,350 and \$266,350, respectively, to stock compensation expense. The unamortized value of these units was \$887,835 as of September 30, 2021.

Under the Amended OP Agreement, once the Class M OP Units or Class P OP Units are converted into Class C OP Units, they will be exchangeable for the Company’s shares of Class C common stock on a 1-for-1 basis, or for cash at the sole and absolute discretion of the Company. The Company recorded the ownership interests of the Class M OP Units and Class P OP Units as noncontrolling interests in the Operating Partnership, representing a combined total of approximately 13% of the equity in the Operating Partnership on December 31, 2019.

Class R OP Units

On January 25, 2021, the compensation committee of the Company's board of directors recommended, and the board of directors approved, the grant of 120,000 Class R OP Units to Mr. Halfacre in recognition of his voluntary reduction in his 2020 compensation plus 512,000 Class R OP Units to Mr. Halfacre as equity incentive compensation for the next three years, and the grant of 100,000 Class R OP Units to Mr. Pacini as equity incentive compensation for the next three years. An additional 348,000 Class R OP Units were granted to the rest of the employees of the Company. All Class R OP Units granted vest on January 25, 2024 and are then mandatorily convertible into Class C OP Units on March 31, 2024 at a conversion ratio of 1:1, which conversion ratio can increase to 1:2.5 Class C OP Units if the Company generates funds from operations of \$1.05, or more, per weighted average fully-diluted share outstanding for the year ending December 31, 2023. The Company has initially concluded that as of each quarter end, including September 30, 2021, achieving the performance target is not deemed probable and will adjust compensation expense prospectively if achieving the enhancement is deemed probable in the future.

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As a result of the Company's 1:3 reverse stock split on February 1, 2021, Mr. Halfacre's, Mr. Pacini's and the remaining employees' Class R OP Units were adjusted to 210,667 Class R OP Units, 33,333 Class R OP Units and 116,000 Class R OP Units, respectively, for a total of 360,000 Class R OP Units outstanding after adjustment for the 1:3 reverse stock split on February 1, 2021. Stock compensation expense related to the 360,000 Class R OP Units is based on the estimated value per share, including a discount for the illiquid nature of the underlying equity, and will be recognized over the three-year vesting period. During the three and nine months ended September 30, 2021, 5,663 and 6,997 Class R OP Units, respectively were forfeited due to the departure of employees.

During the three and nine months ended September 30, 2021, the Company amortized and charged \$59,827 and \$1,573,991, respectively, to stock compensation expense for the Class R OP Units since the grant date, adjusted for the reversal of the previous amortization of the forfeited units. The unamortized value of these units was \$5,421,040 as of September 30, 2021.

NOTE 13. SUBSEQUENT EVENTS

The Company evaluates subsequent events until the date the unaudited condensed consolidated financial statements are issued. Significant subsequent events are described below:

Common Stock Distributions

The Company paid the September 2021 distributions of \$643,025 on October 25, 2021, based on the daily distribution rate of \$0.00287670 per share per day of Class C and Class S common stock, which reflects an annualized distribution rate of \$1.05 per share or 4.03% per share based on the Company's estimated NAV per share of \$26.05 (unaudited) during September 2021. The Company plans to pay its October distributions on November 24, 2021 based on the daily distribution rate of \$0.00315070 per share per day of Class C and Class S common stock, which reflects an annualized distribution rate of \$1.15 per share or 4.21% per share based on the Company's estimated NAV per share of \$27.29 (unaudited) as of September 30, 2021.

Preferred Dividends

On November 11, 2021, the Company's board of directors declared Series A Preferred Stock distributions payable of \$1,065,278 for the fourth quarter of 2021, including the \$143,403 accrued dividends as of September 30, 2021, which are payable on January 15, 2022.

Redeemable Common Stock

Subsequent to September 30, 2021, the Company redeemed 80,614 shares of Class C common stock for \$2,098,452 and no shares of Class S common stock.

Updated Estimated NAV Per Share

On November 4, 2021, the Company's board of directors approved and established an updated estimated NAV per share of the Company's Class C common stock and Class S common stock of \$27.29 (unaudited) as of September 30, 2021. Additional information on the determination of the Company's updated estimated NAV per share, including the process used to determine its updated estimated NAV per share, can be found in the Company's Current Report on Form 8-K filed with the SEC on November 5, 2021.

Extension of Leases

Effective October 27, 2021, the Company extended the lease terms of its property located in Carlsbad, California leased to L3Harris from April 30, 2022 to April 30, 2029 for minimum annual rents increasing annually in exchange for two months of free rent, which amounted to \$139,258. The Company will pay a leasing commission of \$208,087 in connection with this extension.

Effective October 29, 2021, the Company also extended the lease term of its property located in Dekalb, Illinois leased to 3M Company from July 31, 2022 to July 31, 2034 for minimum annual rents increasing annually. The Company will provide a tenant improvement allowance of \$1,026,000 as agreed to in the lease amendment in the form of reimbursements to the tenant following receipt of supporting documents and will pay a leasing commission of \$640,696 in connection with this extension.

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Pending Real Estate Investment Acquisitions

On October 29, 2021, the Company entered into a non-binding letter of intent for a sale and leaseback transaction to acquire an industrial property which is used in the manufacturing of garage door parts and located in Archbold, Ohio for \$11,460,000. The Company expects to complete this purchase in early December 2021, subject to satisfaction of customary due diligence and other conditions, and therefore no assurances can be made that the purchase will be completed within that timeframe or at all. The Company intends to use a portion of the proceeds from the Preferred Offering (see *Note 9*) to fund this potential acquisition.

On November 3, 2021, the Company entered into a purchase and sale agreement to acquire a portfolio of 10 retail properties leased to Walgreens and located in Iowa, Indiana, Wisconsin, Kansas and Louisiana, subject to customary due diligence conditions. The purchase price is \$63,100,000 and the Company will assume existing collateralized mortgage indebtedness of \$35,048,994 ("CMBS") upon approval of the CMBS servicer and completing the acquisition. The Company will use a portion of the proceeds from its September 2021 offering of Series A Preferred Stock (see *Note 9*) to fund the estimated \$28,651,000 balance of the purchase price and related commissions and closing costs. The Company expects to complete this purchase prior to December 31, 2021, subject to satisfaction of customary due diligence conditions and obtaining approval of the CMBS servicer.

Pending Real Estate Investment Sales

On November 5, 2021, the Company entered into an agreement to sell its property in Bedford, Texas and leased to a Harley Davidson dealer for \$5,300,000 to an unrelated third party subject to customary due diligence conditions. The potential buyer has 30 days to complete its due diligence and an additional 10 days thereafter to complete the potential purchase. There can be no assurances that the buyer will complete this transaction.

On November 11, 2021, the Company entered into an agreement to sell three of its office properties, which have leases scheduled to expire in less than five years, for a total of \$27,240,000 to an unrelated third party, subject to customary due diligence conditions. The three properties include a property in Dallas, Texas, which is leased to Texas Health, and two properties in Richmond, Virginia, which are leased to Bon Secours and Omnicare. The potential buyer has 30 days to complete its due diligence and up to an additional 60 days thereafter to complete the potential purchase. There can be no assurances that the buyer will complete this transaction.

Termination of Reg A Offering and Share Repurchase Programs

On November 2, 2021, the Company's board of directors reviewed and approved management's recommendation to terminate the Company's Reg A Offering effective upon the close of business on November 24, 2021 and to seek a listing of the Company's Class C common stock on a national securities exchange in early 2022; however, there can be no assurances that such a listing can be completed in that time frame or at all. As a result, the Company expects to record an impairment charge related to its intangible assets of approximately \$3,700,000 during the fourth quarter of 2021 for its intangible assets related to investor lists, website services technology, domains and licenses. These assets have been used by the Company in its crowdfunding capital-raising activities, and prior to the board of directors' approval to seek a listing of the Company's Class C common stock on a national securities exchange, these assets were the primary mechanism through which the Company sold shares of its Class C common stock.

The Company's board of directors also approved management's recommendation to terminate the Company's Class C and Class S share repurchase programs and the Company does not plan to make any further share repurchases.

New Credit Facility

On November 12, 2021, the Company and KeyBank National Association ("KeyBank") agreed on a non-binding term sheet for a new \$225,000,000 credit facility (the "Facility") to be syndicated by KeyBank as Administrative Agent and Lead Arranger. The term sheet provides for a four-year revolving line of credit, which may be extended by up to 12 months subject to certain conditions, and a five-year term loan. The Facility is expected to be available for general corporate purposes including but not limited to acquisitions, repayment of existing indebtedness and capital expenditures. The Facility will be priced on a leverage-based pricing grid that fluctuates based on the Company's actual leverage ratio. Closing of the Facility will be subject to customary closing conditions; however, there can be no assurances that the Facility will close.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition, results of operations and cash flows together with the unaudited condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2020 included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on March 31, 2021. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors. See "Forward-Looking Statements" above.

Management's discussion and analysis of financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates. These estimates are based on management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Overview

We are a real estate investment trust ("REIT") with public, non-listed shares of common stock and publicly traded shares of Series A preferred stock that acquires, owns and manages single-tenant net-lease industrial, retail and office properties throughout the United States, with a focus on strategically important and mission critical properties. We were formed on May 15, 2015 as a Maryland corporation that elected to be taxed as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 2016 and we intend to continue to operate so as to remain qualified as a REIT for federal income tax purposes thereafter. Through the Merger (defined below) and acquisitions, we created one of the largest non-listed real estate investment funds to be raised via crowdfunding technology and the first real estate crowdfunding platform to be completely investor-owned. Driven by innovation, an investor-first focus and an experienced management team, Modiv leveraged its crowdfunding platform to create a \$400 million real estate fund comprising 2.2 million square feet of income-producing real estate.

On November 4, 2021, our board of directors (the "Board") reviewed and approved management's recommendation to seek a listing of our Class C common stock on a national securities exchange in early 2022, subject to market conditions. There can be no assurances that a listing will be completed in the time frame outlined, or at all, given various factors including general economic conditions and sentiment within the broader equity capital markets. In preparation for seeking a listing on a national securities exchange, our Board also approved management's recommendation to terminate our offering of shares of our Class C common stock pursuant to Regulation A under the Securities Act of 1933, as amended (the "Securities Act") (the "Reg A Offering"), effective upon the close of business on November 24, 2021 and to terminate our share repurchase programs ("SRPs"). We do not plan to make any further share repurchases. Following these changes, we intend to maintain our monthly distributions and the ability for investors to reinvest their distributions via our distribution reinvestment plan ("DRP"). Our five-year emerging growth company registration with the SEC will end on December 30, 2021 but we will continue to report with the SEC as a smaller reporting company under Rule 12b-2 of the Exchange Act.

We have the authority to issue 450,000,000 shares of stock, consisting of 50,000,000 shares of preferred stock, \$0.001 par value per share, 300,000,000 shares of Class C common stock, \$0.001 par value per share, and 100,000,000 shares of Class S common stock, \$0.001 par value per share. Effective February 1, 2021, with the authorization of the Board, we filed Articles of Amendment to our charter in the State of Maryland in order to effect a 1:3 reverse stock split of our Class C common stock and Class S common stock and, following the implementation of the reverse stock split, to decrease the par value of each post-split share of our Class C common stock and Class S common stock from \$0.003 per share to \$0.001 per share.

Since December 31, 2019, we have been internally managed following our acquisition of the business of BrixInvest, LLC, a Delaware limited liability company and our former sponsor ("BrixInvest"), and our merger with Rich Uncles Real Estate Investment Trust I ("REIT I") as further described below. As of September 30, 2021, we have a portfolio of approximately 2.2 million square feet of aggregate leasable space including 38 commercial real estate properties in 14 states, comprised of 13 retail properties, 14 office properties and 11 industrial properties, including an approximate 72.7% tenant-in-common interest (the "TIC Interest") in a 91,740 square foot Santa Clara, California industrial property as discussed in *Note 4* to our accompanying unaudited condensed consolidated financial statements.

Although we are not limited as to the form our investments may take, our investments in real estate will generally constitute acquiring fee title or interests in entities that own and operate real estate. We will make substantially all acquisitions of our real estate investments directly through Modiv Operating Partnership, LP, a Delaware limited partnership (the “Operating Partnership”), or indirectly through limited liability companies or limited partnerships, including through other REITs, or through investments in joint ventures, partnerships, tenants-in-common, co-tenancies or other co-ownership arrangements with other owners of properties, some of which may be affiliated with us or our executive officers or directors. The Operating Partnership was formed on January 28, 2016. We are the sole general partner of, and owned an 86% partnership interest in the Operating Partnership on September 30, 2021. The Operating Partnership limited partners include holders of several classes of units with various vesting and enhancement terms as further described in *Note 12* to our accompanying unaudited condensed consolidated financial statements.

Self-Management Transaction and Merger on December 31, 2019

We were externally managed through December 31, 2019 by our former external advisor, Rich Uncles NNN REIT Operator, LLC, a Delaware limited liability company. On December 31, 2019, we merged with REIT I and a self-management transaction was completed, whereby we effectuated a contribution agreement dated September 19, 2019 (the “Contribution Agreement”) pursuant to which we acquired substantially all of the assets and assumed certain liabilities of our former external advisor and our former sponsor in exchange for units of limited partnership interest in the Operating Partnership (the “Self-Management Transaction”). As a result of the completion of the Self-Management Transaction, we became self-managed and eliminated all fees for acquisitions, dispositions and management of our properties, which were previously paid to our former external advisor.

On December 31, 2019, pursuant to an Agreement and Plan of Merger dated September 19, 2019, REIT I merged with and into Katana Merger Sub, LP (“Merger Sub”), a Delaware limited partnership and wholly-owned subsidiary of our Company, with Merger Sub surviving as our direct, wholly-owned subsidiary (the “Merger”). At such time, the separate existence of REIT I ceased. As a result, we issued 2,680,740.5 shares (adjusted for the 1:3 reverse stock split) of our Class C common stock to former shareholders of REIT I. On December 31, 2020, Merger Sub was merged into the Operating Partnership and ceased to exist as of December 31, 2020.

Offerings

On July 15, 2015, we filed a registration statement on Form S-11 (File No. 333-205684) with the SEC to register an initial public offering of a maximum of 30,000,000 (adjusted for the 1:3 reverse stock split) of our shares of common stock for sale to the public (the “Initial Primary Offering”). We also registered a maximum of 3,333,333 (adjusted for the 1:3 reverse stock split) of our shares of common stock pursuant to our DRP (the “Initial DRP Offering” and together with the Initial Primary Offering, the “Initial Registered Offering”). During 2016, the SEC declared our registration statement effective and we began offering shares of common stock to the public. Pursuant to the Initial Registered Offering, we sold shares of Class C common stock directly to investors, with a minimum investment in shares of \$500. Commencing in August 2017, we began selling shares of our Class C common stock only to U.S. persons as defined under Rule 903 promulgated under the Securities Act, and began selling shares of our Class S common stock as a result of the commencement of the Class S Offering (as defined below) to non-U.S. Persons.

In August 2017, we began offering up to 33,333,333 shares (adjusted for the 1:3 reverse stock split) of Class S common stock exclusively to non-U.S. Persons as defined under Rule 903 promulgated under the Securities Act, pursuant to an exemption from the registration requirements of the Securities Act and in accordance with Regulation S of the Securities Act (the “Class S Offering”). The Class S common stock has similar features and rights as the Class C common stock, including with respect to voting and liquidation, except that the Class S common stock offered in the Class S Offering may be sold only to non-U.S. Persons and may be sold through brokers or other persons who may be paid upfront and deferred selling commissions and fees.

On December 23, 2019, we commenced a follow-on offering pursuant to a new registration statement on Form S-11 (File No. 333-231724) (the “Follow-on Offering”), which registered the offer and sale of up to \$800,000,000 in share value of Class C common stock, including \$725,000,000 in share value of Class C common stock pursuant to the primary portion of the Follow-on Offering and \$75,000,000 in share value of Class C common stock pursuant to our DRP. We ceased offering shares pursuant to the Initial Registered Offering concurrently with the commencement of the Follow-on Offering.

On January 22, 2021, with the authorization of the Board, we amended and restated our DRP with respect to our shares of Class C common stock in order to reflect our corporate name change and to remove the ability of our stockholders to elect to reinvest only a portion of their cash distributions in shares through the DRP so that investors who elect to participate in the DRP must reinvest all cash distributions in shares. In addition, the amended and restated DRP provides for determinations by the Board of the estimated net asset value (“NAV”) per share more frequently than annually. The amended and restated DRP was effective with respect to distributions that were paid in February 2021.

On January 22, 2021, we filed a registration statement on Form S-3 (File No. 333-252321) to register a maximum of \$100,000,000 of additional shares of Class C common stock to be issued pursuant to the amended and restated DRP (the “2021 DRP Offering” and, collectively with the Initial DRP Offering, the “Registered DRP Offering”); the Registered DRP Offering collectively with the Follow-on Offering and the Reg A Offering, the “Registered Offerings”). We commenced offering shares of Class C common stock pursuant to the 2021 DRP Offering upon termination of the Follow-on Offering.

Effective January 27, 2021, our Company, with the approval of the Board, terminated the Follow-on Offering. In connection with the termination of the Follow-on Offering, we stopped accepting investor subscriptions on January 22, 2021. As of January 27, 2021, we had \$600,547,672 in share value of unsold shares in the Follow-on Offering, which were deregistered with the SEC. On February 1, 2021, we commenced a private offering of Class C common stock under Regulation D promulgated under the Securities Act (the “Private Offering” and, collectively with the Registered Offerings, the “Offerings”) and accepted investor subscriptions from only accredited investors until we terminated the Private Offering on August 12, 2021.

On June 29, 2021, we filed with the SEC a Regulation A Offering Statement on Form 1-A, including our preliminary offering circular, for a \$75,000,000 offering of our Class C common stock and filed an amended Form 1-A on August 13, 2021. The SEC qualified the amended Regulation A Offering Statement on Form 1-A on August 16, 2021.

Preferred Stock

On September 14, 2021, we and the Operating Partnership entered into an underwriting agreement (the “Underwriting Agreement”) with B. Riley Securities, Inc., as representative of the underwriters listed on Schedule I thereto (collectively, the “Underwriters”), pursuant to which we agreed to issue and sell 1,800,000 shares of our 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.001 par value per share, with a liquidation preference of \$25.00 per share (the “Series A Preferred Stock”), in an underwritten public offering (the “Preferred Offering”) at a price per share of \$25.00. In addition, we granted the Underwriters a 30-day option to purchase up to an additional 200,000 shares of the Series A Preferred Stock, which the Underwriters exercised in full on September 16, 2021. The issuance and sale of the shares of Series A Preferred Stock, including the issuance and sale of an additional 200,000 shares pursuant to the Underwriters’ full exercise of their option to purchase additional shares, closed on September 17, 2021 (see *Note 9* to our accompanying unaudited condensed consolidated financial statements for additional information).

Updated Estimated Net Asset Value Per Share

On January 27, 2021, May 5, 2021, August 4, 2021 and November 4, 2021, the Board approved and established an updated estimated NAV per share of our Class C common stock and Class S common stock of \$23.03 (adjusted for the 1:3 reverse stock split), \$24.61, \$26.05 and \$27.29, respectively (all unaudited).

On November 4, 2021, the Board approved and established an updated estimated NAV per share of our Class C common stock and Class S common stock of \$27.29 (unaudited) as of September 30, 2021. Effective November 5, 2021, the purchase price per share of our Class C common stock was increased from \$26.05 to \$27.29. Also, commencing November 5, 2021, the purchase price per share in the primary portion of the Class S Offering was increased to \$27.29 plus the amount of any applicable upfront commissions and fees.

Additional information on the determination of our most recent estimated NAV per share, including the process used to determine our estimated NAV per share, can be found in our Current Report on Form 8-K filed with the SEC on November 5, 2021. Beginning with distributions scheduled to be paid to stockholders on November 24, 2021, the purchase price per share of our common stock in the Class C and the Class S DRPs was increased from \$26.05 to \$27.29.

The Company

We believe we are qualified to operate as a REIT, which requires us to annually distribute at least 90% of our taxable income (excluding net capital gains) in the form of distributions to our stockholders.

Our primary business consists of acquiring, financing and owning single-tenant net-lease industrial, retail and office real estate properties throughout the United States leased to creditworthy tenants on long-term leases, with a focus on strategically important and mission critical properties. We primarily generate revenues by leasing properties to tenants pursuant to net leases. As of September 30, 2021, our real estate investment portfolio consisted of 38 properties located in 14 states consisting of 13 retail properties, 14 office properties and 11 industrial properties, including the TIC Interest. The net book value of our real estate investments as of September 30, 2021 was \$339,666,361.

With respect to our diversified portfolio of 38 operating properties, including the TIC Interest, as of September 30, 2021:

- 13 properties are retail properties which represent approximately 13% of the portfolio, 14 properties are office properties which represent approximately 48% of the portfolio, and 11 properties, including the TIC Interest, are industrial properties which represent approximately 39% of the portfolio (expressed as a percentage of annualized net operating income);
- Occupancy rate of 100.0%;
- Leased to 31 different commercial tenants doing business in 13 separate industries;
- Approximately 2.2 million square feet of aggregate leasable space, including the TIC Interest;
- An average leasable space per property of approximately 59,000 square feet; approximately 100,000 square feet per industrial property; approximately 23,000 square feet per retail property and approximately 61,000 square feet per office property, and
- Outstanding mortgage note payable balance of \$182,146,897.

As of September 30, 2021, all 38 operating properties in our portfolio are single-tenant net-lease properties and all 38 properties were leased, with a weighted average remaining lease term, excluding rights to extend a lease at the option of the tenant, of approximately 5.6 years, which increased to 6.0 years as of October 31, 2021 with the lease extensions signed by L3Harris and 3M Company during October 2021.

As of September 30, 2021, we held an approximate 72.7% TIC Interest in a 91,740 square foot industrial property located in Santa Clara, California. The remaining approximately 27.3% of undivided interest in the Santa Clara property is held by Hagg Lane II, LLC (an approximate 23.4% interest) and Hagg Lane III, LLC (an approximate 3.9% interest). The manager of Hagg Lane II, LLC and Hagg Lane III, LLC became a member of the Board in December 2019.

Primary Investment Objectives

Our primary investment objectives are:

- to provide attractive growth in adjusted funds from operations (“AFFO”) and sustainable cash distributions;
- to preserve and return capital contributions;
- to realize value appreciation from proactive investment selection and asset management;
- to provide future opportunities for growth and value creation; and
- to provide an investment alternative for stockholders seeking to allocate a portion of their long-term investment portfolios to commercial real estate.

We cannot assure you that we will achieve our investment objectives.

Investment Strategy

Commercial Real Estate

In pursuit of our primary objectives, we plan to grow our current single-tenant portfolio of triple-net leased properties and seek to acquire a diversified portfolio of income-generating commercial real estate investments throughout the United States diversified by corporate credit, physical geography, product type, and lease duration. Although we have no current intention to do so, we may also invest a portion of the net proceeds from our offerings in commercial real estate properties outside the United States.

We intend to acquire assets consistent with our acquisition philosophy by focusing primarily on properties located in primary, secondary and certain select tertiary markets and leased to tenants, at the time we acquire them, with strong financial statements, which may include investment grade credit quality, and typically subject to long-term leases with defined rental rate increases. We may also acquire assets that require some amount of capital investment in order to be renovated or repositioned. We generally will limit investment in new developments on a standalone basis, but may consider development that is ancillary to an overall investment. We do not designate specific geography or sector allocations for the portfolio; rather we intend to invest in regions or asset classes where we see the best opportunities that support our investment objectives.

Other Non-Listed REITs and Real Estate Products or Managers

We believe there will be opportunities to acquire other non-listed REITs and real estate products or managers given the current fragmented nature of the industry. There are many smaller non-listed REITs that have not been able to raise sufficient capital to grow their investment portfolio and provide liquidity to their stockholders. Given their limited alternatives, some of these non-listed REITs may be receptive to potential acquisitions by us. There are also other non-listed real estate products and managers that face similar challenges and may also be receptive to potential acquisitions by us.

We cannot assure you that any of the properties we acquire or real estate-related investments we make will result in the benefits discussed above.

Liquidity and Capital Resources

Proceeds from the sale of our shares of common stock have been, and will continue to be, primarily used to invest in real estate and real estate-related investments or to re-lease and reposition our properties in accordance with our investment strategy and policies, including commissions and tenant improvement costs associated with such investments. We also expect to use a portion of the proceeds from the sale of our shares of common stock for payments of obligations with respect to our outstanding indebtedness; capital expenditures related to our real estate investments; reserves required by financings of our real estate investments; and for general corporate purposes.

Generally, our cash requirements for property acquisitions, debt payments, capital expenditures and other investments will be funded by the sale of shares of our common stock and bank borrowings from financial institutions and mortgage indebtedness on our properties, and to a lesser extent, by internally generated funds. Our cash requirements for operating and interest expenses, and distributions will generally be funded by internally generated funds. Proceeds from the sale of our common stock and debt financings have also been used to fund repurchases of common stock; however, we are terminating our SRPs as discussed above. When available, sources of capital include proceeds from the sale of properties, proceeds from the sale of shares of our common stock and secured or unsecured borrowings from banks or other lenders, as well as undistributed funds from operations.

Our Credit Facility (as defined below) provides a \$22,000,000 line of credit including a \$17,000,000 revolving line of credit for real estate acquisitions and an additional \$5,000,000 revolving line of credit for working capital. After our initial draw of \$6,000,000 to fund the repayment of our prior credit facility provided by Pacific Mercantile Bank ("PMB"), on March 31, 2021, and subsequent repayments of \$3,000,000 in June 2021 and \$1,500,000 each in July and August 2021, we have \$17,000,000 available to finance real estate acquisitions and \$5,000,000 available for working capital purposes as of September 30, 2021.

Subsequent to the third quarter of 2021, on November 12, 2021, we and KeyBank National Association ("KeyBank") agreed on a non-binding term sheet for a new \$225,000,000 credit facility (the "Facility") to be syndicated by KeyBank as Administrative Agent and Lead Arranger. The term sheet provides for a four-year revolving line of credit, which may be extended by up to 12 months subject to certain conditions, and a five-year term loan. The Facility is expected to be available for general corporate purposes including but not limited to acquisitions, repayment of existing indebtedness and capital expenditures. The Facility will be priced on a leverage-based pricing grid that fluctuates based on the Company's actual leverage ratio. Closing of the Facility will be subject to customary closing conditions; however, there can be no assurances that the Facility will close.

Our aggregate borrowings, secured and unsecured, must be reasonable in relation to our tangible assets. Our maximum leverage as defined and approved by the Board, including all of the independent directors, is 55% of the aggregate fair value of our real estate properties, plus our cash and cash equivalents. We use available leverage based on the relative cost of debt and equity capital, and to address strategic borrowing advantages potentially available to us. Our borrowings on one or more individual properties may exceed 55% of their individual cost, so long as our overall leverage does not exceed 55% of the aggregate fair value of our real estate properties, plus our cash and cash equivalents. There is no limitation on the amount we may borrow for the purchase of any single asset. As of September 30, 2021, our leverage ratio was 40%.

We may borrow amounts from our affiliates including directors and executive officers if such loan is approved by a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction, as being fair, competitive, commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties under the circumstances.

Debt financing for acquisitions and investments may be obtained at the time an asset is acquired or an investment is made or at such later time as determined to be appropriate. In addition, debt financing may be used from time-to-time for property improvements, lease inducements, tenant improvements and other working capital needs.

On March 29, 2021, we entered into a new credit facility with Banc of California (the "Credit Facility") for an aggregate line of credit of \$22,000,000 with a maturity date of March 30, 2023 which replaced the prior \$12,000,000 credit facility provided by PMB which had a balance outstanding of \$6,000,000 as of December 31, 2020, which was repaid on March 31, 2021. We paid Banc of California origination fees of \$77,000 in connection with the Credit Facility. Under the terms of the Credit Facility, we pay a variable rate of interest on outstanding amounts equal to one percentage point over the prime rate published in The Wall Street Journal, provided that the interest rate in effect on any one day shall not be less than 4.75% per annum. We will pay an unused commitment fee of 0.15% per annum of the unused portion of the Credit Facility, charged quarterly in arrears based on the average unused commitment available under the Credit Facility.

The Credit Facility is secured by substantially all of our tangible and intangible assets, including intellectual property. The Credit Facility requires us to maintain a minimum debt service coverage ratio of 1.25 to 1.00 and minimum tangible NAV (as defined in the loan agreement) of \$120,000,000, measured quarterly. Mr. Wirta, our Chairman, and the Wirta Family Trust guaranteed the \$6,000,000 initial borrowing, which was due by September 30, 2021. This guarantee expired upon the full repayment of the \$6,000,000 in August 2021. Mr. Wirta and the Wirta Family Trust also guaranteed the \$5,000,000 revolving line of credit for working capital. On March 29, 2021, we entered into an updated indemnification agreement with Mr. Wirta and the Wirta Family Trust with respect to their guarantees of borrowings under the Credit Facility.

As of September 30, 2021, the outstanding principal balance of our mortgage notes payable on our operating properties and our revolving credit facility were \$182,146,897 and zero, respectively. As of September 30, 2021, our approximately 72.7% pro-rata share of the TIC Interest's mortgage note payable was \$9,764,171, which is not included in our unaudited condensed consolidated balance sheets.

Refinancing Transactions and Sale of Real Estate Investments

During the nine months ended September 30, 2021, we refinanced the following mortgage notes:

Properties	December 31, 2020	New	Prior	New	Original	New
	Principal Amount	Principal Amount	Interest Rate	Interest Rate	Maturity Date	Maturity Date
Levins	\$ 2,032,332	\$ 2,700,000	3.74 %	3.75 %	3/5/2021	2/16/2026
Dollar General Bakersfield	\$ 2,268,922	\$ 2,280,000	3.38 %	3.65 %	3/5/2021	2/16/2028
Labcorp	\$ 4,020,418	\$ 5,400,000	3.38 %	3.75 %	3/5/2021	2/16/2026
GSA (MSHA)	\$ 1,752,092	\$ 1,756,000	3.13 %	3.65 %	8/5/2021	2/16/2026
L3Harris	\$ 5,185,929	\$ 6,300,000	4.69 %	3.35 %	4/1/2022	5/21/2031
Northrop Grumman	\$ 5,518,589	\$ 7,000,000	4.40 %	3.35 %	7/2/2022	5/21/2031

During the nine months ended September 30, 2021, we sold the following retail real estate investments:

Property	Location	Disposition Date	Rentable Square Feet	Contract Sale Price	Net Proceeds	Gain on Sale
Chevron Gas Station	Roseville, CA	1/7/2021	3,300	\$ 4,050,000	\$ 3,914,909	\$ 228,769
EcoThrift	Sacramento, CA	1/29/2021	38,536	5,375,300	2,684,225	51,415
Chevron Gas Station	San Jose, CA	2/12/2021	1,060	4,288,888	4,054,327	9,458
Dana	Cedar Park, TX	7/7/2021	45,465	10,000,000	4,975,334	4,127,638
Total			88,361	\$ 23,714,188	\$ 15,628,795	\$ 4,417,280

On September 24, 2021, we received a notice of refund amounting to \$115,133 related to the sale of our Las Vegas, Nevada retail property on December 16, 2020, which was formerly leased to 24 Hour Fitness. The refund relates to a portion of a holdback from sales proceeds to cover expenses by the buyer to prepare the property for lease, including the payment of accrued interest, common area maintenance, taxes, insurance and other related expenses and building permits to begin construction of improvements on the property. The refund is an adjustment to the estimate of the amount which was expected to be received.

Sales Pursuant to Our Private Offering and Our Regulation A Offering

We commenced the Private Offering to accredited investors only under Regulation D promulgated under the Securities Act on February 1, 2021, and during the period from February 1, 2021 to August 11, 2021, we sold 36,207 shares of Class C common stock pursuant to the Private Offering for aggregate proceeds of \$851,273. We terminated the Private Offering on August 12, 2021.

On June 29, 2021, we filed with the SEC a Regulation A Offering Statement on Form 1-A, including our preliminary offering circular, for a \$75,000,000 offering of our Class C common stock and filed an amended Form 1-A on August 13, 2021. The SEC qualified the amended Regulation A Offering Statement on Form 1-A on August 16, 2021. The Reg A Offering allowed us to once again accept subscriptions from investors who are not accredited. During the period from August 16, 2021 to October 31, 2021, we sold 42,113 shares of Class C common stock pursuant to the Reg A Offering for aggregate proceeds of \$1,097,029. On November 2, 2021, the Board reviewed and approved management's recommendation to terminate the Reg A Offering effective upon the close of business on November 24, 2021.

Underwritten Offering - Series A Preferred Stock

On September 14, 2021, we and the Operating Partnership entered into the Underwriting Agreement with B. Riley Securities, Inc., as the Underwriters, pursuant to which we agreed to issue and sell 1,800,000 shares of the Series A Preferred Stock in the Preferred Offering at a price per share of \$25.00. In addition, we granted the Underwriters a 30-day option to purchase up to an additional 200,000 shares of the Series A Preferred Stock, which the Underwriters exercised in full on September 16, 2021. The issuance and sale of the shares of Series A Preferred Stock, including the issuance and sale of an additional 200,000 shares pursuant to the Underwriters' full exercise of their option to purchase additional shares, closed on September 17, 2021. The gross proceeds from the Preferred Offering were \$50,000,000 and the net proceeds were \$47,570,374, after deducting the underwriting discount of \$1,575,000 and other offering expenses of \$854,626, which included the structuring fee of \$250,000 (see *Note 9* to our accompanying unaudited condensed consolidated financial statements for additional information).

Share Repurchases

For the three months ended September 30, 2021, we received share repurchase requests and repurchased shares as follows:

	Value of Share Repurchase Requests Received	Repurchase Date	Value of Shares Repurchased (1)
July 2021	\$ 4,481,177	August 4, 2021	\$ 1,058,285
August 2021	\$ 5,928,373	September 3, 2021	\$ 1,775,082
September 2021	\$ 6,560,652	October 5, 2021	\$ 1,348,912

(1) Including Extraordinary Circumstance Repurchases (as defined below) and after applicable administrative fees for shares held less than two years for shares repurchased thereafter.

Impact of the COVID-19 Pandemic on Our Capital Resources

Uncertainties over the future utilization of office and retail properties which have arisen as a result of the COVID-19 pandemic, the resulting decrease in our NAV per share as of April 30, 2020 and the reduction in our distribution rate in May 2020 have severely impacted our ability to raise capital through our common stock offerings. From January 1, 2021 through September 30, 2021, we raised approximately \$6,300,000 through our common stock offerings, including our distribution reinvestment plans, a 61% decrease compared with approximately \$16,200,000 raised during the first nine months of 2020. In addition, share repurchases increased from approximately \$13,200,000 during the first nine months of 2020 to approximately \$16,900,000 in the first nine months of 2021, and we decided not to repurchase an additional \$5,210,652 in repurchase requests received during September 2021 in order to preserve liquidity.

In April 2020, one of our subsidiaries was successful in obtaining a \$517,000 loan through the Small Business Administration's Paycheck Protection Program ("PPP"), which was funded by PMB on April 20, 2020. In December 2020, our subsidiary submitted its application for forgiveness of the total amount of the loan to PMB. After PMB's review, our subsidiary updated its forgiveness application on February 10, 2021. PMB submitted the application to the SBA on February 10, 2021, and on February 16, 2021, our subsidiary was notified by PMB that its application for forgiveness of the PPP loan had been approved by the SBA in the full amount of \$517,000. Accordingly, the forgiveness of the PPP loan is reflected in other income for the nine months ended September 30, 2021 in our accompanying unaudited condensed consolidated financial statements.

Cash Flow Summary

The following table summarizes our cash flow activity for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by operating activities	\$ 6,312,683	\$ 3,813,564
Net cash provided by investing activities	\$ 20,293,056	\$ 13,207,680
Net cash provided by (used in) financing activities	\$ 19,727,618	\$ (14,947,468)

Cash Flows from Operating Activities

For the nine months ended September 30, 2021 and 2020, net cash provided by operating activities was \$6,312,683 and \$3,813,564, respectively.

The cash provided by operating activities during the nine months ended September 30, 2021 primarily reflects adjustments to our net income of \$1,742,964 for distributions from our investment in an unconsolidated entity of \$247,929 and net other non-cash charges of \$6,021,967 related to depreciation and amortization, stock compensation expense, amortization of deferred financing costs, amortization of deferred lease incentives and amortization of above market lease intangibles, which were partially offset by the gain on sale of real estate investments, amortization of below-market lease intangibles, amortization of deferred rents, unrealized gain on interest rate swap valuation, gain on forgiveness of economic relief note payable, reversal of impairment of real estate property and undistributed income from our investment in an unconsolidated entity. The cash provided by operations was also offset in part by cash used due to changes in operating assets and liabilities of \$1,700,177 during the nine months ended September 30, 2021 primarily due to increases in notes receivable and prepaid and other assets and a decrease in accounts payable, accrued and other liabilities, partially offset by a decrease in tenant receivables.

The cash provided by operating activities during the nine months ended September 30, 2020 primarily reflects adjustments to our net loss of \$52,097,300 for distributions from our investment in an unconsolidated entity of \$542,140 and net non-cash charges of \$55,899,848 primarily related to impairment of goodwill and intangible assets, depreciation and amortization, impairment of real estate investment property, unrealized loss on interest rate swap valuation, amortization of deferred financing costs and stock compensation expense, which were partially offset by gain on sale of real estate investments, amortization of deferred rents, amortization of below-market lease intangibles and income from our investment in an unconsolidated entity. In addition, the net non-cash charges were partially offset by a net use of cash due to changes in operating assets and liabilities of \$531,124 during the nine months ended September 30, 2020 primarily due to increases in tenant receivables, prepaid and other assets and decreases in accounts payable, accrued and other liabilities and due to affiliates.

We continue to expect that our cash flows from operating activities will be positive in the next twelve months; however, there can be no assurance that this expectation will be realized.

Cash Flows from Investing Activities

Net cash provided by investing activities was \$20,293,056 for the nine months ended September 30, 2021 and consisted primarily of the following:

- \$22,840,026 in proceeds from sale of real estate investments; and
- \$1,824,383 from collection of a note receivable from sale of real estate property; partially offset by
- \$3,644,221 for acquisition of a real estate investment;
- \$531,382 of additions to existing real estate investments; and
- \$195,750 of additions to intangible assets.

Net cash provided by investing activities was \$13,207,680 for the nine months ended September 30, 2020 and consisted primarily of the following:

- \$15,364,073 in proceeds from sale of real estate investments, partially offset by
- \$600,291 of additions to existing real estate investments;
- \$566,102 of additions to intangible assets; and
- \$990,000 for lease incentives.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$19,727,618 for the nine months ended September 30, 2021 and consisted of the following:

- \$47,570,374 in net proceeds from issuance of preferred stock;
- \$2,911,744 in proceeds from issuance of common stock, partially offset by payments for offering costs and commissions of \$946,914;
- \$25,436,000 in proceeds from mortgage notes payable;
- \$6,000,000 in proceeds from borrowings on our credit facility; and
- \$18,804 of refundable loan deposits.

These proceeds were partially offset by:

- \$29,434,396 of mortgage notes principal payments and deferred financing cost payments of \$381,076 to third parties;
- \$12,000,000 of repayments on our credit facilities;
- \$16,881,466 used for repurchases of shares under the SRPs; and
- \$2,565,452 of cash distributions paid to common stockholders.

Net cash used in financing activities was \$14,947,468 for the nine months ended September 30, 2020 and consisted primarily of the following:

- \$36,421,500 of mortgage notes principal payments and deferred financing cost payments of \$389,662 to third parties;
- \$6,000,000 of repayments on our credit facility;
- \$4,800,000 of full principal repayments on our short-term notes;
- \$13,154,123 used for repurchases of shares under the SRPs; and
- \$4,071,697 of cash distributions paid to common stockholders.

These uses were partially offset by:

- \$10,378,762 of proceeds from issuance of common stock, partially offset by payments for offering costs and commissions of \$981,748;
- \$35,705,500 of proceeds from mortgage notes payable;
- \$527,000 of proceeds from economic relief notes payable; and
- \$4,260,000 of proceeds from borrowings on our prior credit facility.

Funds from Operations and Adjusted Funds from Operations

In order to provide a more complete understanding of the operating performance of a REIT, the National Association of Real Estate Investment Trusts (“Nareit”) promulgated a measure known as Funds from Operations (“FFO”). FFO is defined as net income or loss computed in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses from sales of depreciable operating property, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships, joint ventures and preferred distributions. Because FFO calculations adjust for such items as depreciation and amortization of real estate assets and gains and losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), they facilitate comparisons of operating performance between periods and between other REITs. As a result, we believe that the use of FFO, together with the required GAAP presentations, provides a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. It should be noted, however, that other REITs may not define FFO in accordance with the current Nareit definition or may interpret the current Nareit definition differently than we do, making comparisons less meaningful.

Additionally, we use AFFO as a non-GAAP financial measure to evaluate our operating performance. AFFO excludes non-routine and certain non-cash items such as revenues in excess of cash received, amortization of stock-based compensation, deferred rent, amortization of in-place lease valuation intangibles, acquisition-related costs, deferred financing fees, asset impairment write-downs, gain or loss from the extinguishment of debt, unrealized gains (losses) on derivative instruments, write-off transaction costs and other one-time transactions.

We also believe that AFFO is a recognized measure of sustainable operating performance by the REIT industry. Further, we believe AFFO is useful in comparing the sustainability of our operating performance with the sustainability of the operating performance of other real estate companies.

Management believes that AFFO is a beneficial indicator of our ongoing portfolio performance and ability to sustain our current distribution level. More specifically, AFFO isolates the financial results of our operations. AFFO, however, is not considered an appropriate measure of historical earnings as it excludes certain significant costs that are otherwise included in reported earnings. Further, since the measure is based on historical financial information, AFFO for the period presented may not be indicative of future results or our future ability to pay our dividends. By providing FFO and AFFO, we present information that assists investors in aligning their analysis with management’s analysis of long-term operating activities.

For all of these reasons, we believe the non-GAAP measures of FFO and AFFO, in addition to income (loss) from operations, net income (loss) and cash flows from operating activities, as defined by GAAP, are helpful supplemental performance measures and useful to investors in evaluating the performance of our real estate portfolio. However, a material limitation associated with FFO and AFFO is that they are not indicative of our cash available to fund distributions since other uses of cash, such as capital expenditures at our properties and principal payments of debt, are not deducted when calculating FFO and AFFO. AFFO is useful in assisting management and investors in assessing our ongoing ability to generate cash flow from operations and continue as a going concern in future operating periods. However, FFO and AFFO are not useful measures in evaluating NAV because impairments are taken into account in determining NAV but not in determining FFO and AFFO. Therefore, FFO and AFFO should not be viewed as a more prominent measure of performance than income (loss) from operations, net income (loss) or cash flows from operating activities and each should be reviewed in connection with GAAP measurements.

Neither the SEC, Nareit, nor any other applicable regulatory body has opined on the acceptability of the adjustments contemplated to adjust FFO in order to calculate AFFO and its use as a non-GAAP performance measure. In the future, the SEC or Nareit may decide to standardize the allowable exclusions across the REIT industry, and we may have to adjust the calculation and characterization of this non-GAAP measure. Furthermore, as described in *Note 12* to our accompanying unaudited condensed consolidated financial statements, the conversion ratios for units of Class M limited partnership interest in the Operating Partnership, units of Class P limited partnership interest in the Operating Partnership and units of Class R limited partnership interest (“Class R OP Units”) in the Operating Partnership can increase if the specified performance hurdles are achieved.

The following are the calculations of FFO and AFFO for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
Net income (loss) attributable to common stockholders (in accordance with GAAP)	\$ 1,599,561	\$ (52,097,300)
FFO adjustments:		
Add: Depreciation and amortization	10,420,000	11,587,202
Amortization of lease incentives	192,235	45,903
Depreciation and amortization for investment in the TIC Interest	545,896	545,262
Less: Gain on sale of real estate investments, net	(4,532,413)	(1,693,642)
FFO	8,225,279	(41,612,575)
AFFO adjustments:		
Add: Impairment of real estate investments	(400,999)	9,506,525
Impairment of goodwill and intangible assets	—	34,572,403
Gain on forgiveness of economic relief note payable	(517,000)	—
Amortization of corporate intangibles	1,397,529	1,833,054
Stock compensation	2,115,341	522,183
Amortization of deferred financing costs	207,086	794,488
Amortization of above-market intangible leases	97,367	134,412
Unrealized (gains) losses on interest rate swaps	(684,057)	1,019,840
Acquisition fees and due diligence expenses, including abandoned pursuit costs	712,925	116,809
Reserve for loan guarantee	—	3,120,678
Less: Deferred rents	(950,694)	(1,027,863)
Amortization of below-market intangible leases	(1,099,723)	(1,157,951)
Other adjustments for unconsolidated entities	(56,585)	(67,751)
AFFO	\$ 9,046,469	\$ 7,754,252
Weighted average shares outstanding - basic	7,575,013	8,019,742
Weighted average shares outstanding - fully diluted	8,763,112	9,209,706
FFO Per Share:		
Basic	\$ 1.09	\$ (5.19)
Fully Diluted	\$ 0.94	\$ (4.52)
AFFO Per Share:		
Basic	\$ 1.19	\$ 0.97
Fully Diluted	\$ 1.03	\$ 0.84

Results of Operations

As of September 30, 2021, we owned 38 operating properties, including the TIC Interest. We acquired one retail property during the first nine of months 2021 compared to no real estate acquisitions during the first nine of months 2020. Four properties were sold during the first nine months of 2021 (three retail properties during the first quarter of 2021, which were classified as held for sale as of December 31, 2020, and one industrial property during the third quarter of 2021, which was classified as held for sale as of June 30, 2021). Three retail properties were sold during the first nine months of 2020, which were classified as held for sale as of June 30, 2020. The operating results of such properties that were classified in the ordinary course of business as held for sale are included in our continuing results of operations.

We expect that rental income, tenant reimbursements, depreciation and amortization expense, and interest expense will decrease for the full year of 2021 as compared with the full year of 2020 as a result of our nine dispositions from the third quarter of 2020 through the third quarter of 2021 (seven retail properties and two industrial properties), partially offset by the results from our Raising Cane's retail property acquired on July 26, 2021. Our results of operations for the three and nine months ended September 30, 2021 may not be indicative of those expected for the full year of 2021 or in future periods. Due to the continuing COVID-19 pandemic, including the recent spread of the Delta variant, in the United States and globally, our tenants and operating partners continue to be impacted. The continued impact of the COVID-19 pandemic and the Delta variant on our future results will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information regarding mutations of COVID-19, the success of actions taken to contain or treat COVID-19, the effectiveness of the current vaccines to contain the COVID-19 variants including the Delta variant, and reactions by consumers, companies, governmental entities and capital markets.

Comparison of the Three Months Ended September 30, 2021 to the Three Months Ended September 30, 2020

Rental Income

Rental income, including tenant reimbursements, for the three months ended September 30, 2021 and 2020 was \$10,307,683 and \$9,557,191, respectively. The increase of \$750,492, or 8%, quarter-over-quarter primarily reflects \$1,528,484 of revenue from the early termination of a lease on the industrial property sold during the third quarter of 2021, net of reversal of deferred rents. Excluding the revenue from early termination of this lease, the quarter-over-quarter rental income decreased by \$777,992, or 8%, primarily reflecting the reduction of rental income related to the sale of three retail properties during the third quarter of 2020, as well as the effect of the subsequent sale of one retail and one industrial property during the fourth quarter of 2020 and three retail properties during the first quarter of 2021, compared to the sale of one industrial property during the third quarter of 2021, offset in part by the depreciation and amortization from the retail property acquired on July 26, 2021. Pursuant to most of our lease agreements, tenants are required to pay or reimburse all or a portion of the property operating expenses. The annualized base rental income of the operating properties owned as of September 30, 2021 was \$26,696,384.

General and Administrative

General and administrative expenses were \$3,674,187 and \$2,522,719 for the three months ended September 30, 2021 and 2020, respectively. The increase of \$1,151,468, or 46%, quarter-over-quarter primarily reflects increases of \$559,826 in stock compensation expense related to the Class R OP Units granted in January 2021 (discussed in detail in *Note 12* to our accompanying unaudited condensed consolidated financial statements), legal and insurance expenses in the current year quarter compared to the prior year quarter.

Depreciation and Amortization

Depreciation and amortization expense was \$3,814,503 and \$4,304,470 for the three months ended September 30, 2021 and 2020, respectively. The purchase price of properties acquired is allocated to tangible assets, identifiable intangibles and assumed liabilities and depreciated or amortized over their estimated useful lives. The decrease of \$489,967, or 11%, quarter-over-quarter primarily reflects the reduction of depreciation and amortization expenses related to the sale of four retail properties and one industrial property during the second half of 2020, three retail properties during the first quarter of 2021 and one industrial property during the third quarter of 2021, offset in part by the depreciation and amortization from the retail property acquired on July 26, 2021.

Interest Expense

Interest expense was \$1,831,545 and \$2,732,528 for the three months ended September 30, 2021 and 2020, respectively (see *Note 7* to our accompanying unaudited condensed consolidated financial statements for the detail of the components of interest expense). The decrease of \$900,983, or 33%, quarter-over-quarter was primarily due to reduced outstanding borrowings for both our mortgage notes payable and our credit facilities and reduced amortization of loan fees. The average principal balance of our mortgage notes payable was reduced to approximately \$182,453,000 during the third quarter of 2021 from approximately \$196,378,000 during the third quarter of 2020. In addition, average credit facility borrowings were approximately \$1,500,000 during the third quarter of 2021 compared to approximately \$9,065,000 during the third quarter of 2020.

Property Expenses

Property expenses were \$1,658,437 and \$1,677,055 for the three months ended September 30, 2021 and 2020, respectively. These expenses primarily relate to property taxes and repairs and maintenance expenses, the majority of which are reimbursed by tenants. The decrease of \$18,618, or 1%, quarter-over-quarter primarily reflects the reduction in property expenses related to the sale of three retail properties during the third quarter of 2020, as well as the effect of the subsequent sale of one retail and one industrial property during the fourth quarter of 2020 and three retail properties during the first quarter of 2021, compared to the sale of one industrial property during the third quarter of 2021, offset in part by property expenses from the retail property acquired on July 26, 2021.

Reserve for Loan Guarantee

The credit to our reserve for our estimated liability under a loan guarantee amounted to \$4,359 for the three months ended September 30, 2020. This represented the change in the estimated liability for a loan guarantee related to our subsidiary's secured mortgage for the Las Vegas, Nevada property, as a result of the evaluation of the impact of the COVID-19 pandemic on the tenant's business and the risk that the lender could foreclose on the property. The Las Vegas, Nevada property was sold on December 15, 2020 and the reserve was reversed as a result of the buyer's assumption of the related mortgage note payable.

Gain on Sale of Real Estate Investments

The gain on sale of investments of \$4,242,771 and \$1,693,642 for the nine months ended September 30, 2021 and 2020 relates primarily to the sale of one industrial property during the current year quarter and three retail properties during the prior year quarter, respectively (see *Note 3* to our accompanying unaudited condensed consolidated financial statements for more details).

Other Income (Loss)

The lease termination expense of \$1,175,192 for the three months ended September 30, 2020 reflects the fee for early termination of our Costa Mesa office lease following the surrender of the leased premises to the lessor during the second quarter of 2020.

Interest income was \$1,270 and \$51 for the three months ended September 30, 2021 and 2020, respectively.

Income from investment in unconsolidated entity was \$75,403 and \$92,617 for the three months ended September 30, 2021 and 2020, respectively. This represents our approximate 72.7% TIC Interest in the Santa Clara property's results of operations for the third quarters of 2021 and 2020, respectively.

Comparison of the Nine Months Ended September 30, 2021 to the Nine Months Ended September 30, 2020

Rental Income

Rental income, including tenant reimbursements, for the nine months ended September 30, 2021 and 2020 was \$28,521,546 and \$29,888,620, respectively. Rental income during the current year period included \$1,528,484 of revenue from the early termination of lease related to the industrial property sold during the third quarter of 2021. The decrease of \$1,367,074, or 5%, period-over-period primarily reflects the reduction of rental income from the nine properties (seven retail properties and two industrial properties) sold during the second half of 2020 and the first and third quarters of 2021, offset in part by rental income from the retail property acquired on July 26, 2021. Excluding the effect of the revenue from early termination of the lease on the industrial property sold in July 2021, the period-over-period rental income decreased by \$2,895,558, or 10%. Pursuant to most of our lease agreements, tenants are required to pay or reimburse all or a portion of the property operating expenses. The annualized base rental income of the operating properties owned as of September 30, 2021 was \$26,696,384.

General and Administrative

General and administrative expenses were \$9,832,940 and \$7,447,082 for the nine months ended September 30, 2021 and 2020, respectively. The increase of \$2,385,858, or 32%, period-over-period primarily reflects \$1,573,991 of stock compensation expense related to the Class R OP Units granted in January 2021 (discussed in *Note 12* to our accompanying unaudited condensed consolidated financial statements) along with other compensation, legal and insurance expenses in the current year period compared to the prior year period.

Depreciation and Amortization

Depreciation and amortization expense was \$11,817,529 and \$13,420,256 for the nine months ended September 30, 2021 and 2020, respectively. The purchase price of properties acquired is allocated to tangible assets, identifiable intangibles and assumed liabilities and depreciated or amortized over their estimated useful lives. The decrease of \$1,602,727, or 12%, period-over-period primarily reflects the reduction of depreciation and amortization expenses related to the nine properties (seven retail properties and two industrial properties) sold during the second half of 2020 and the first and third quarters of 2021, offset in part by depreciation and amortization from the retail property acquired on July 26, 2021.

Interest Expense

Interest expense was \$5,711,330 and \$9,196,061 for the nine months ended September 30, 2021 and 2020, respectively (see *Note 7* to our accompanying unaudited condensed consolidated financial statements for the detail of the components of interest expense). The decrease of \$3,484,731, or 38%, period-over-period was primarily due to our gain on interest rate swaps of \$586,782 during the nine months ended September 30, 2021, compared to a loss on interest rate swaps of \$1,164,490 during the nine months ended September 30, 2020. In addition, the decrease was due to reduced outstanding borrowings for both our mortgage notes payable and our credit facilities and reduced amortization of loan fees. There was also a decrease in the average principal balance of our mortgage notes payable from approximately \$197,182,000 during the first nine months of 2020 to approximately \$180,266,000 during the first nine months of 2021 and average credit facility borrowings were approximately \$10,290,000 during the first nine months of 2020, compared to \$4,000,000 during the first nine months of 2021.

Property Expenses

Property expenses were \$5,111,270 and \$5,480,411 for the nine months ended September 30, 2021 and 2020, respectively. These expenses primarily relate to property taxes and repairs and maintenance expense, the majority of which are reimbursed by tenants. The decrease of \$369,141, or 7%, period-over-period primarily reflects the reduction in expenses related to the nine properties (seven retail properties and two industrial properties) sold during the second half of 2020 and the first and third quarters of 2021.

Impairment of Real Estate Investment Properties

Impairment of real estate investment properties was a credit of \$400,999 for the nine months ended September 30, 2021 and a charge of \$9,506,525 for the nine months ended September 30, 2020. The current year period's credit resulted from an adjustment to reduce the impairment charge recorded in December 2020 for the property located in Bedford, Texas due to its reclassification from held for sale to held for use in June 2021 (see *Note 3* to our accompanying unaudited condensed consolidated financial statements for a detailed discussion of the adjustment). The impairment charge recorded in the nine months ended September 30, 2020 relates to the impairments of four properties formerly leased to Rite Aid, 24 Hour Fitness, Dinan Cars and Dana due to the negative impacts of the COVID-19 pandemic. These properties were specifically affected due to the forced closure of the 24 Hour Fitness in Las Vegas, Nevada, and the uncertainty regarding our ability to re-lease the Dinan Cars and Dana vacant properties on the same or better terms, or at all (see *Note 3* to our accompanying unaudited condensed consolidated financial statements for impairment details). The properties formerly leased by Rite Aid, 24 Hour Fitness, Dinan Cars and Dana were sold in August, October and December 2020 and July 2021, respectively.

Impairment of Goodwill and Intangible Assets

Impairment charges of \$34,572,403 recorded during the nine months ended September 30, 2020 consisted of goodwill impairment of \$33,267,143 (approximated 66% of goodwill) and intangible assets impairment of \$1,305,260 (approximated 16% of intangible assets) related to our investor list. These impairments reflected the negative impacts of the COVID-19 pandemic to the carrying values of goodwill and intangible assets (see *Note 5* to our accompanying unaudited condensed consolidated financial statements for impairment details).

Reserve for Loan Guarantee

The reserve for estimated liability under a loan guarantee amounted to \$3,120,678 for the nine months ended September 30, 2020. This represented the estimated liability for a loan guarantee related to our subsidiary's secured mortgage for the Las Vegas, Nevada property, as a result of the evaluation of the impact of the COVID-19 pandemic on the tenant's business and the risk that the lender could foreclose on the property. The Las Vegas, Nevada property was sold on December 15, 2020 and the reserve was reversed as a result of the buyer's assumption of the related mortgage note payable.

Gain on Sale of Real Estate Investments

The gain on sale of investments of \$4,532,413 and \$1,693,642 for the nine months ended September 30, 2021 and 2020, respectively, relates primarily to the sale of four properties (three retail and one industrial) during the current year period and three retail properties during the prior year period, respectively (see *Note 3* to our accompanying unaudited condensed consolidated financial statements for more details).

Other Income (Loss)

The lease termination expense of \$1,175,192 for the nine months ended September 30, 2020 reflects the fee for early termination of our Costa Mesa office lease following the surrender of the leased premises to the lessor during the second quarter of 2020.

Interest income was \$1,370 and \$4,873 for the nine months ended September 30, 2021 and 2020, respectively.

Income from investment in unconsolidated entity was \$222,705 and \$239,028 for the nine months ended September 30, 2021 and 2020, respectively. This represents our approximate 72.7% TIC Interest in the Santa Clara property's results of operations for the first nine months of 2021 and 2020, respectively.

Other income for the nine months ended September 30, 2021 also includes the SBA's forgiveness in February 2021 of our economic relief note payable of \$517,000 obtained in April 2020 under the terms of the PPP.

Organizational and Offering Costs

Organizational and offering costs include all expenses incurred in connection with the Offerings, including investor relations' payroll expenses and other expenses incurred in connection with our Offerings, including, but not limited to legal fees, federal and state filing fees, and other costs. For the nine months ended September 30, 2021 and September 30, 2020, we incurred organizational and offering costs aggregating \$946,914 and \$981,748, respectively, which are recorded in our financial statements as an offset to equity. As of September 30, 2021, we had recorded cumulative organizational and offering costs of \$8,091,076, including \$5,429,105 paid to our former sponsor or affiliates.

Distributions

We intend to pay distributions on a monthly basis, and we paid our first distribution on July 11, 2016. The rate is determined by the Board based on our financial condition and such other factors as the Board deems relevant. The Board has not pre-established a percentage range of return for distributions to stockholders. We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders other than as necessary to meet REIT qualification requirements.

Distributions declared, distributions paid and cash flows provided by operating activities were as follows:

Period (1)	Total Distributions Declared	Distributions Declared Per Share	Distributions Paid		Cash Flows Provided by (Used in) Operating Activities
			Cash	Reinvested	
2021					
First Quarter 2021 (2)	\$ 1,991,676	\$ 0.258903	\$ 891,202	\$ 1,130,949	\$ 102,091
Second Quarter 2021 (3)	1,976,511	0.261780	835,381	1,131,281	2,981,262
Third Quarter 2021 (4)	198,172	0.264656	838,868	1,137,501	3,229,330
	<u>\$ 4,166,359</u>	<u>\$ 0.785339</u>	<u>\$ 2,565,451</u>	<u>\$ 3,399,731</u>	<u>\$ 6,312,683</u>
2020					
First Quarter 2020 (5)	\$ 4,189,102	\$ 0.523018	\$ 1,379,751	\$ 2,360,514	\$ 1,947,505 *
Second Quarter 2020 (6)	3,270,291	0.407691	1,710,514	2,304,199	(774,533) *
Third Quarter 2020 (7)	2,135,815	0.264656	981,432	1,150,452	2,638,676
Fourth Quarter 2020 (8)	2,106,620	0.264656	947,519	1,143,369	1,765,192
2020 Totals	<u>\$ 11,701,828</u>	<u>\$ 1.460021</u>	<u>\$ 5,019,216</u>	<u>\$ 6,958,534</u>	<u>\$ 5,576,840 *</u>

* Includes non-recurring Merger costs of \$201,920 during the year ended December 31, 2020 (\$193,460 during the quarter ended March 31, 2020 and \$8,460 during the quarter ended June 30, 2020).

- (1) The distributions paid per share of Class S common stock are net of deferred selling commissions.
- (2) The distribution of \$675,221 for the month of March 2021 was declared in January 2021 and paid on April 26, 2021. The amount was recorded as a liability as of March 31, 2021.
- (3) The distribution of \$650,167 for the month of June 2021 was declared in March 2021 and paid on July 26, 2021. The amount was recorded as a liability as of June 30, 2021.
- (4) The distribution of \$643,025 for the month of September 2021 was declared in June 2021 and paid on October 25, 2021. The amount was recorded as a liability as of September 30, 2021 in the accompanying unaudited condensed consolidated balance sheets.
- (5) The distribution of \$1,415,328 for the month of March 2020 was declared in January 2020 and paid on April 27, 2020. The amount was recorded as a liability as of March 31, 2020.
- (6) The distribution of \$691,443 for the month of June 2020 was declared in May 2020 and paid on July 27, 2020. The amount was recorded as a liability as of June 30, 2020.
- (7) The distribution of \$674,837 for the month of September 2020 was declared in May 2020 and paid on October 26, 2020. The amount was recorded as a liability as of September 30, 2020.
- (8) The distribution of \$699,997 for the month of December 2020 was declared in September 2020 and paid on January 22, 2021. The amount was recorded as a liability as of December 31, 2020.

Our sources of distribution payments were as follows:

Period	Net Rental Income Received	Offering Proceeds
2021		
First Quarter 2021	\$ 1,991,676	\$ —
Second Quarter 2021	1,976,511	—
Third Quarter 2021	198,172	—
2021 Totals	<u>\$ 4,166,359</u>	<u>\$ —</u>
2020		
First Quarter 2020	\$ 4,189,102	\$ —
Second Quarter 2020	3,270,291	—
Third Quarter 2020	2,135,815	—
Fourth Quarter 2020	2,106,620	—
2020 Totals	<u>\$ 11,701,828</u>	<u>\$ —</u>

Distributions to stockholders were declared and paid based on daily record dates at rates per share per day. The distribution details are as follows:

Distribution Period	Rate Per Share Per Day (1)	Declaration Date	Payment Date
2021			
January 1-31	\$ 0.00287670	December 9, 2020	February 25, 2021
February 1-28	\$ 0.00287670	January 27, 2021	March 25, 2021
March 1-31	\$ 0.00287670	January 27, 2021	April 26, 2021
April 1-30	\$ 0.00287670	March 25, 2021	May 25, 2021
May 1-31	\$ 0.00287670	March 25, 2021	June 25, 2021
June 1-30	\$ 0.00287670	March 25, 2021	July 26, 2021
July 1-31	\$ 0.00287670	June 16, 2021	August 25, 2021
August 1-31	\$ 0.00287670	June 16, 2021	September 27, 2021
September 1-30	\$ 0.00287670	June 16, 2021	October 25, 2021
October 1-31	\$ 0.00315070	August 12, 2021	(3)
November 1-30	\$ 0.00315070	August 12, 2021	(3)
December 1-31	\$ 0.00315070	August 12, 2021	(3)
2020			
January 1-31	\$ 0.00576630	December 18, 2019	February 25, 2020
February 1-29	\$ 0.00573771	January 24, 2020	March 25, 2020
March 1-31	\$ 0.00573771	January 24, 2020	April 27, 2020
April 1-30	\$ 0.00573771	January 24, 2020	May 26, 2020
May 1-31	\$ 0.00481479 (2)	May 20, 2020	June 25, 2020
June 1-30	\$ 0.00287670	May 20, 2020	July 27, 2020
July 1-31	\$ 0.00287670	May 20, 2020	August 26, 2020
August 1-31	\$ 0.00287670	May 20, 2020	September 28, 2020
September 1-30	\$ 0.00287670	May 20, 2020	October 26, 2020
October 1-31	\$ 0.00287670	September 30, 2020	November 25, 2020
November 1-30	\$ 0.00287670	September 30, 2020	December 28, 2020
December 1-31	\$ 0.00287670	September 30, 2020	January 22, 2021

- (1) Distributions paid per share of Class S common stock are net of deferred selling commissions.
- (2) Rate per share per day reflects \$0.00573771 per day through May 21, 2020 and \$0.0028767 per day thereafter, after adjustment for the 1:3 reverse stock split.
- (3) Distribution has not been paid as of the filing date of this Quarterly Report on Form 10-Q.

Commencing January 2022, since we are terminating our Reg A Offering effective November 24, 2021, we expect the Board to declare distributions based on a single record date as of the end of the month, and to pay these distributions on a monthly basis. Cash distributions will be determined by the Board based on our financial condition, projected cash flows and such other factors as the Board deems relevant. We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders other than as necessary to meet REIT qualification requirements.

Properties

Portfolio Information

Our wholly-owned investments in real estate properties as of September 30, 2021, December 31, 2020 and September 30, 2020, including four and three assets held for sale as of December 31, 2020 and September 30, 2020, respectively, and the 91,740 square foot industrial property underlying the TIC Interest for all balance sheet dates presented were as follows:

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Number of properties:		(1)	(2)
Retail	13	15	16
Office	14	14	14
Industrial	11	12	13
Total operating properties and properties held for sale	38	41	43
Land	1	1	1
Total properties	39	42	44
Leasable square feet:			
Retail	295,366	220,553	362,764
Office	853,963	853,963	904,499
Industrial	1,100,054	1,145,519	1,185,279
Total	2,249,383	2,220,035	2,452,542

- (1) Includes four retail properties held for sale as of December 31, 2020, three of which were sold during the first quarter of 2021 and one retail property was put back into operating properties and reclassified as real estate investment held for investment and use during the second quarter of 2021.
- (2) Includes three properties held for sale as of September 30, 2020 (two retail properties and one industrial property), one retail and one industrial property of which were sold during the fourth quarter of 2020 and one retail property was reclassified as real estate investment held for investment and use during the second quarter of 2021.

We have a limited operating history. In evaluating the above properties as potential acquisitions, including the determination of an appropriate purchase price to be paid for the properties, we considered a variety of factors, including the condition and financial performance of the properties, the terms of the existing leases and the creditworthiness of the tenants, property location, visibility and access, age of the properties, physical condition and curb appeal, neighboring property uses, local market conditions, including vacancy rates, area demographics, including trade area population and average household income and neighborhood growth patterns and economic conditions.

We completed the sale of four and three properties during the first nine months of 2021 and 2020, respectively, as follows:

Property	Location	Property Type	Disposition Date	Contract Sales Price	Net Proceeds (1)
2021					
Chevron Gas Station	Roseville, CA	Retail	1/7/2021	\$ 4,050,000	\$ 3,914,909
EcoThrift	Sacramento, CA	Retail	1/29/2021	5,375,300	2,684,225
Chevron Gas Station	San Jose, CA	Retail	2/12/2021	4,288,888	4,054,327
Dana	Cedar Park, TX	Industrial	7/7/2021	10,000,000	4,975,334
				<u>\$ 23,714,188</u>	<u>\$ 15,628,795</u>
2020					
Rite Aid	Lake Elsinore, CA	Retail	8/3/2020	\$ 7,250,000	\$ 3,299,016
Walgreens	Stockbridge, GA	Retail	8/27/2020	5,538,462	5,296,356
Island Pacific	Elk Grove, CA	Retail	9/16/2020	3,155,000	1,124,016
				<u>\$ 15,943,462</u>	<u>\$ 9,719,388</u>

- (1) Net of commissions, closing costs paid and repayment of the outstanding mortgages, except there were no outstanding mortgages on the two Chevron properties and the Walgreens property at the time of sale.

Other than as discussed below, we do not have other plans to incur any significant costs to renovate, improve or develop the properties. We believe that the properties are adequately insured. We have two tenants with leases that provide for tenant improvement allowances which have a remaining aggregate balance of \$189,136, the majority of which will be funded from restricted cash on deposit at Banc of California. Additional funds included in restricted cash will fund building improvements. We expect that the related improvements will be completed within the next 12 months.

In addition, we have identified approximately \$3,700,000 of roof replacement, exterior painting and sealing and parking lot repairs/restriping that are expected to be completed in the next 12 months, including approximately \$1,500,000 of building improvements at the Northrop Grumman and Wood properties which we have agreed to complete in a timely manner. The improvements at the Northrop Grumman property will be funded from restricted cash on deposit at Banc of California of \$1,271,462. Approximately \$1,300,000 of these improvements are expected to be recoverable from the tenant through operating expense reimbursements. We will have to pay for the improvements, and the recoveries will be billed over an extended period of time according to the terms of the leases. The remaining costs of approximately \$900,000 are not recoverable from tenants. These improvements will be funded from operating cash flows, debt financings or proceeds from the sale of shares of our common and preferred stock.

Recent Market Conditions

We continue to face significant uncertainties due to the COVID-19 pandemic, including the Delta variant, although their impact on the economy appears to have diminished and the general commercial real estate market appears to be recovering. Both the investing and leasing environments are highly competitive. Even before the COVID-19 pandemic, uncertainty regarding the economic and political environment had made businesses reluctant to make long-term commitments or changes in their business plans. The COVID-19 pandemic has resulted in significant disruptions in utilization of office and retail properties and uncertainty over how tenants will respond when their leases are scheduled to expire.

Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or rent abatements for tenants severely impacted by the COVID-19 pandemic, may result in decreases in cash flows from investment properties. We have one office and one industrial lease scheduled to expire in 2022 and four leases (three office and one industrial) scheduled to expire in 2023, which comprise an aggregate of 303,743 leasable square feet and represent approximately 13.0% of projected 2022 net operating income from properties. The tenants of these properties could reevaluate their use of such properties in light of the impacts of the COVID-19 pandemic, including their ability to have workers succeed in working at home, and determine not to renew these leases or to seek rent or other concessions as a condition of renewing their leases.

Potential future declines in economic conditions could negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our real estate portfolio, which could have the following negative effects on us: the values of our investments in commercial properties could decrease below the amounts paid for such investments; and/or revenues from our properties could decrease due to fewer tenants and/or lower rental rates, making it more difficult for us to make distributions or meet our debt service obligations. However, we have successfully negotiated lease extensions for four properties (two Dollar Generals in Ohio, Northrop Grumman in Melbourne, Florida and PreK in San Antonio, Texas) over the last nine months, and negotiated lease extensions for L3Harris in Carlsbad, California and 3M Company in Dekalb, Illinois during October of 2021. We are in the process of negotiating potential lease extensions with several other tenants.

The debt market remains sensitive to the macro environment, such as impacts of the COVID-19 pandemic, Federal Reserve policy, market sentiment or regulatory factors affecting the banking and commercial mortgage-backed securities industries. While we have had success during 2020 and the first nine months of 2021 with refinancing nine of our properties, any future uncertainties in the capital markets may cause difficulty in refinancing debt obligations prior to maturity at terms as favorable as the terms of existing indebtedness. Market conditions can change quickly, potentially negatively impacting the value of real estate investments. We continuously review our investment and debt financing strategies to optimize our portfolio and the cost of our debt exposure. We plan to rely on debt financing to finance our real estate properties and we may have difficulty refinancing some of our debt obligations prior to or at maturity, or we may not be able to refinance these obligations at terms as favorable as the terms of our initial indebtedness and we also may be unable to obtain additional debt financing on attractive terms or at all. If we are not able to refinance our indebtedness on attractive terms at the various maturity dates, we may be forced to dispose of some of our assets. We expect to manage the current mortgage lending environment by considering alternative lending sources, including fixed rate loans, variable rate loans, securitized debt, or any combination of the foregoing.

Election as a REIT

We elected to be taxed as a REIT for federal income tax purposes under the Internal Revenue Code of 1986, as amended, beginning with the taxable year ended December 31, 2016. We believe we will continue to qualify as a REIT. To qualify and maintain status as a REIT, we must meet certain requirements relating to our organization, sources of income, nature of assets, distributions of income to our stockholders and recordkeeping. As a REIT, we generally would not be subject to federal income tax on taxable income that we distribute to our stockholders so long as we distribute at least 90% of our annual taxable income (computed without regard to the distributions paid deduction and excluding net capital gains).

If we fail to qualify as a REIT for any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. We will not be able to deduct distributions paid to our stockholders in any year in which we fail to qualify as a REIT. We also will be disqualified for the four taxable years following the year during which qualification is lost, unless we are entitled to relief under specific statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we believe that we are organized and operate in such a manner as to continue to qualify for treatment as a REIT for federal income tax purposes. No provision for federal income taxes has been made in our unaudited condensed consolidated financial statements. We will be subject to certain state and local taxes related to the operations of properties in certain locations. We are subject to certain state and local taxes related to the operations of properties in certain locations, which have been provided for in our unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires us to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses. A discussion of the accounting policies that management considers critical in that they involve significant management judgments, assumptions and estimates is included under “*Critical Accounting Policies*” in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K, filed with the SEC on March 31, 2021. There have been no significant changes to our policies during the nine months ended September 30, 2021.

Commitments and Contingencies

We may be subject to certain commitments and contingencies with regard to certain transactions (see *Note 11* to our accompanying unaudited condensed consolidated financial statements for discussion of commitment and contingencies).

Related-Party Transactions and Agreements

Through December 31, 2019, we had contracted for advisory services through an advisory agreement with our former advisor whereby we paid certain fees to, or reimbursed certain expenses of, our former advisor or affiliates, such as acquisition fees and expenses, organization and offering costs, asset management fees, and reimbursement of certain operating costs (see *Note 10* to our accompanying unaudited condensed consolidated financial statements for additional details of the various related-party transactions and agreements).

Subsequent Events

See *Note 13* to our accompanying unaudited condensed consolidated financial statements for events that occurred subsequent to September 30, 2021 through the filing date of this report.

Recent Accounting Pronouncements

See *Note 2* to our accompanying unaudited condensed consolidated financial statements for recent accounting pronouncements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that had or are reasonably likely to have a material current or future effect on our financial condition, results of operations, liquidity, or capital resources as of September 30, 2021.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable as we are a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating whether the benefits of the controls and procedures that we adopt outweigh their costs.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation as of September 30, 2021 was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as of September 30, 2021, were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) that occurred during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are continually monitoring and assessing the COVID-19 pandemic and the impact it may have on our operations, including our internal control.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information disclosed under Legal Matters in *Note 11* to our accompanying unaudited condensed consolidated financial statements is incorporated herein by reference.

Item 1A. Risk Factors

Except as noted below, there have been no material changes to the risk factors set forth under “*Risk Factors*” in Part I, Item 1A of our Annual Report on Form 10-K, for the year ended December 31, 2020 as filed with the SEC on March 31, 2021.

Changes in banks’ inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.

LIBOR and other indices which are deemed “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such “benchmarks” to perform differently than in the past, or have other consequences which cannot be predicted. As published by the Federal Reserve Bank of New York, it currently appears that, over time, United States dollar LIBOR may be replaced by the Secured Overnight Financing Rate (“SOFR”). In March 2021, the Financial Conduct Authority confirmed its intention to cease publishing one-week and two-month LIBOR after December 31, 2021 and all remaining LIBOR after June 30, 2023. At this time, it is not known whether or when SOFR or other alternative reference rates will attain market traction as replacements for LIBOR. Market participants are still considering how various types of financial instruments and securitization vehicles should react to a discontinuation of LIBOR. It is possible that not all of our assets and liabilities will transition away from LIBOR at the same time, or to the same alternative reference rate, in each case increasing the difficulty of hedging. The process of transition involves operational risks. It is also possible that no transition will occur for many financial instruments. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the market for or value of any securities on which the interest or dividend is determined by reference to LIBOR, loans, derivatives and other financial obligations or on our overall financial condition or results of operations. More generally, any of the above changes or any other consequential changes to LIBOR or any other “benchmark” as a result of international, national or other proposals for reform or other initiatives, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of financial assets and liabilities based on or linked to a “benchmark.”

The Company’s operations and performance depend significantly on national and regional economic conditions, and adverse economic conditions can materially adversely affect the Company’s business, results of operations and financial condition.

Adverse macroeconomic conditions, including inflation, may affect (i) existing or prospective lessees’ businesses and their demand for space, and (ii) conditions in the real estate and mortgage markets, and could result in declines in our income and asset values.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the three months ended September 30, 2021, we issued a total of 3,647 shares of Class C common stock to five non-employee members of the Board for their service as Board members during the third quarter of 2021. Such issuances were made in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act.

During the three months ended September 30, 2021, we also issued 217 shares of Class S common stock in the Class S Offering for aggregate gross offering proceeds of \$5,562. Such issuances were made pursuant to the distribution reinvestment plan applicable to our Class S common stock in reliance on an exemption from the registration requirements of the Securities Act under and in accordance with Regulation S of the Securities Act.

Sales Pursuant to Our Private Offering and Our Reg A Offering

On February 1, 2021, we commenced the Private Offering of Class C common stock to accredited investors only under Regulation D promulgated under the Securities Act. Shares of Class C common stock were sold at a per share offering price equal to the most recently published NAV per share determined by the Board. We primarily used the net proceeds from the Private Offering to invest in a diversified portfolio of real estate and real estate-related investments, or to re-lease and reposition our properties in accordance with our investment strategy and policies, including commissions and costs associated with such investments. We also used a portion of the proceeds of the Private Offering for general corporate purposes, including capital expenditures, tenant improvement costs and leasing costs related to our real estate investments; reserves required by financings of our real estate investments; the repayment of debt; the funding of stockholder distributions; and provided liquidity to our stockholders pursuant to our share repurchase program. We terminated the Private Offering on August 12, 2021. During the period from February 1, 2021 to August 11, 2021, we sold 36,207 shares of Class C common stock pursuant to the Private Offering for aggregate proceeds of \$851,273.

On June 29, 2021, we filed with the SEC a Regulation A Offering Statement on Form 1-A, including our preliminary offering circular, for a \$75,000,000 offering of our Class C common stock and filed an amended Form 1-A on August 13, 2021. The SEC qualified the amended Regulation A Offering Statement on Form 1-A on August 16, 2021. The Reg A Offering allowed us to once again accept subscriptions from investors who are not accredited. During the period from August 16, 2021 to October 31, 2021, we sold 42,113 shares of Class C common stock pursuant to the Reg A Offering for aggregate proceeds of \$1,097,029.

Issuer Redemptions of Equity Securities

We have adopted a share repurchase program that enables qualifying stockholders to sell their stock to us in limited circumstances. The maximum amount of common stock that may be repurchased per month is limited to no more than 2% of our most recently determined aggregate NAV. Repurchases for any calendar quarter are limited to no more than 5% of our most recently determined aggregate NAV. The foregoing repurchase limitations are based on “net repurchases” during a quarter or month, as applicable. Thus, for any given calendar quarter or month, the maximum amount of repurchases during that quarter or month will be equal to (1) 5% or 2% (as applicable) of our most recently determined aggregate NAV, plus (2) proceeds from sales of new shares in the Registered Offerings and Class S Offering (including purchases pursuant to our Registered DRP Offering) since the beginning of a current calendar quarter or month, less (3) repurchase proceeds paid since the beginning of the current calendar quarter or month.

We have the discretion to repurchase fewer shares than have been requested to be repurchased in a particular month or quarter, or to repurchase no shares at all, in the event that we lack readily available funds to do so due to market conditions beyond our control, our need to maintain liquidity for our operations or because we determine that investing in real property or other illiquid investments is a better use of our capital than repurchasing our shares. In the event that we repurchase some but not all of the shares submitted for repurchase in a given period, shares submitted for repurchase during such period will be repurchased on a pro-rata basis, subject to any Extraordinary Circumstance Repurchase (as defined below).

We have the discretion, but not the obligation, under extraordinary market or economic circumstances, to make a special repurchase in equal, nominal quantities of shares from all stockholders who have submitted share repurchase requests during the period (“Extraordinary Circumstance Repurchases”). These Extraordinary Circumstance Repurchases will precede any pro rata share repurchases that may be made during the period.

For the three months ended September 30, 2021, we received share repurchase requests that resulted in share repurchases as follows:

	Value of Share Repurchase Requests Received	Repurchase Date	Value of Shares Repurchased (1)
July 2021	\$ 4,481,177	August 4, 2021	\$ 1,058,285
August 2021	\$ 5,928,373	September 3, 2021	\$ 1,775,082
September 2021	\$ 6,560,652	October 5, 2021	\$ 1,348,912

(1) Including Extraordinary Circumstance Repurchases and after applicable administrative fees for shares held less than two years for shares repurchased thereafter.

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The Board may amend, suspend or terminate our Class C share repurchase program or Class S share repurchase program upon 10 days' notice to Class C stockholders or Class S stockholders, respectively, if the Board believes such action is in our and such stockholders' best interests, including because share repurchases place an undue burden on our liquidity, adversely affect our operations, adversely affect stockholders whose shares are not repurchased, or if the Board determines that the funds otherwise available to fund our share repurchases are needed for other purposes. The Board may also amend, suspend or terminate our Class C share repurchase program or Class S share repurchase program due to changes in law or regulation, or if the Board becomes aware of undisclosed material information that it believes should be publicly disclosed before shares are repurchased. On November 5, 2021, we announced that the Board reviewed and approved management's recommendation to terminate our SRPs and we are no longer accepting share repurchase requests.

The following table summarizes our repurchase activity under our share repurchase program for our Class C common stock for the three months ended September 30, 2021. For the three months ended September 30, 2021, no shares of our Class S common stock were repurchased.

	Total Number of Shares Repurchased During the Quarter	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan or Program	Dollar Value of Shares Available That May Be Repurchased Under the Program
July 1-31, 2021	43,069	\$ 24.57	43,069	(1)
August 1-31, 2021	68,202	\$ 26.03	68,202	(1)
September 1-30, 2021	51,823	\$ 26.03	51,823	(1)
Total	<u>163,094</u>		<u>163,094</u>	

(1) A description of the maximum number of shares that may be purchased under our share repurchase program is included in the narrative preceding this table.

Item 6. Exhibits

The exhibits listed on the Exhibit Index below are included herewith or incorporated herein by reference.

EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit	Description
3.1	Articles of Amendment and Restatement of Modiv Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K (File No. 000-55776) filed with the Securities and Exchange Commission on July 8, 2021)
3.2	Amended and Restated Bylaws of Modiv Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K (File No. 000-55776) filed with the Securities and Exchange Commission on August 2, 2021)
3.3	Articles Supplementary designating 7.375% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.001 par value per share (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K (File No. 001-40814) filed with the Securities and Exchange Commission on September 17, 2021)
4.1	Amended and Restated Distribution Reinvestment Plan (Class C common stock) (incorporated by reference to Appendix A to the Company's Prospectus filed with its Registration Statement on Form S-3 (File No. 333-252321) filed with the Securities and Exchange Commission on January 22, 2021)
4.2	Amended and Restated Share Repurchase Program (Class C common stock) (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K (File No. 000-55776) filed with the Securities and Exchange Commission on August 2, 2021)
4.3	Distribution Reinvestment Plan (Class S common stock) (incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K (File No. 000-55776) filed with the Securities and Exchange Commission on August 17, 2017)
4.4	Amended and Restated Share Repurchase Program (Class S common stock) (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K (File No. 000-55776) filed with the Securities and Exchange Commission on February 1, 2021)
10.1	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 000-55776) filed with the Securities and Exchange Commission on August 2, 2021)
10.2*	Dealer Manager Agreement, dated as of August 16, 2021, by and between Modiv Inc. and North Capital Private Securities Corporation
10.3	Underwriting Agreement, dated September 14, 2021, by and among Modiv Inc., Modiv Operating Partnership, LP and B. Riley Securities, Inc., as representative of the underwriters listed on Schedule I thereto (incorporated by reference to Exhibit 1.1 to our Current Report on Form 8-K (File No. 001-40814) filed with the Securities and Exchange Commission on September 17, 2021)
10.4	First Amendment to Third Amended and Restated Limited Partnership Agreement of Modiv Operating Partnership, LP (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 001-40814) filed with the Securities and Exchange Commission on September 17, 2021)
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	INLINE XBRL INSTANCE DOCUMENT
101.SCH*	INLINE XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL*	INLINE XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	INLINE XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	INLINE XBRL TAXONOMY EXTENSION LABELS LINKBASE
101.PRE*	INLINE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
104*	COVER PAGE INTERACTIVE DATA FILE (FORMATTED AS INLINE XBRL AND CONTAINED IN EXHIBIT 101)
*	Filed herewith.
**	In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Modiv Inc.
(Registrant)

By: /s/ AARON S. HALFACRE
Name: Aaron S. Halfacre
Title: Chief Executive Officer (principal executive officer)

By: /s/ RAYMOND J. PACINI
Name: Raymond J. Pacini
Title: Chief Financial Officer (principal financial officer)

Date: November 12, 2021

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. § 1350)**

Each of the undersigned officers of Modiv Inc. (the "Company") hereby certifies, for purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AARON S. HALFACRE

Name: Aaron S. Halfacre
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ RAYMOND J. PACINI

Name: Raymond J. Pacini
Title: Chief Financial Officer
(Principal Financial Officer)

Date: November 12, 2021

The foregoing certification is being furnished with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 pursuant to 18 U.S.C. § 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except to the extent the Company specifically incorporates this certification by reference.

MODIV INC.
Shares of Class C Common Stock
DEALER MANAGER AGREEMENT

THIS DEALER MANAGER AGREEMENT is entered into and effective as of August 16, 2021, by and between Modiv Inc., formerly known as RW Holdings NNN REIT, Inc. (the "Company"), and North Capital Private Securities Corporation ("NCPS" or the "Dealer Manager"), and, together with the Company, the "Parties") in connection with the offering and sale by the Company of up to \$75,000,000 of shares of Class C Common Stock of the Company, subject to increase at the option of the Company (the "Shares"), to "qualified purchasers" as that term is defined in Regulation A promulgated under the Securities Act of 1933, as amended (the "Securities Act"), in a Regulation A – Tier 2 offering (the "Offering"). The Company desires for NCPS to act as its agent in connection with the Offering.

The Parties entered into that certain Dealer Management Agreement, dated January 31, 2021 (the "Prior Agreement"). Upon execution of this Agreement by both Parties, the Parties acknowledge and agree that the Prior Agreement is terminated; provided that each party to the Prior Agreement shall continue to be bound by the provisions thereof that reasonably require some action or forbearance (or are required to implement such action or forbearance) after such termination with respect to activities prior to such termination, including, but not limited to, those related to fees and expenses, indemnities, limitations of and exclusions to liability, warranties, confidentiality and non-circumvention, and such provisions shall remain operative and in full force and effect and shall survive with respect to activities prior to such termination.

1. Dealer Manager.

On the basis of the representations, warranties and covenants herein contained, and subject to the terms and conditions set forth in this Agreement, the Company hereby appoints the Dealer Manager as its agent and principal distributor for the purpose of selling for cash up to \$75,000,000 of Shares (subject to increase as described in the Offering Circular (as defined below)), either directly as a Dealer or through other Dealers (as defined below), in accordance with the terms and conditions stated in the Offering Circular. The Dealer Manager is authorized to enter into selected dealer agreements (each a "Selected Dealer Agreement") in a form to be agreed upon by the Company and the Dealer Manager with other broker-dealers acceptable to the Company in its sole discretion who will participate in the Offering (each participating broker-dealer being referred to herein as a "Dealer." Each such Dealer shall be a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Dealer Manager may also enter into placement agreements in a form to be agreed upon by the Company and the Dealer Manager with registered investment advisers registered with the Securities and Exchange Commission (the "SEC") acceptable to the Company in its sole discretion. To the extent the Dealer Manager solicits investors or executes trades in connection with the Offering, it will be deemed to be a Dealer in the Offering. In addition, the Dealer Manager shall act as dealer manager and broker-dealer with respect to Shares sold in the states of Arizona and Oregon pursuant to the Company's dividend reinvestment plan under the Form S-3 filed with the SEC. The Dealer Manager hereby accepts such agency and distributorship and agrees to use its best efforts to sell the Shares on the terms and conditions stated in the Offering Circular and this Agreement.

2. Solicitation Procedures.

- i. The parties acknowledge and agree that the Offering will be made through the website www.modiv.com and potentially other crowd funding platforms (the "Online Platform"). Online sales covered by this Agreement shall be made primarily through the Online Platform.
- ii. The Company has provided to NCPS the current version of the Company's Form 1A Offering Statement for the Offering and the offering circular contained therein (the final version, as amended and supplemented, is referred to as the "Offering Circular"), and the definitive subscription and governance documents for the Company. Upon completion of preliminary due diligence by NCPS, acceptance of the Offering for placement and commencement of NCPS's participation in the Offering, the Offering Circular and any printed sales literature or other materials authorized by the Company to be used in the Offering ("Authorized Sales Materials") will comprise the offering materials for the Offering (the "Offering Materials"), which may be made

available on the Online Platform, subject to the limitations set forth in this Agreement with respect to Authorized Sales Materials.

NCPS is not, and in its agreements with the Dealers NCPS will require that the Dealers agree that they are not, authorized or permitted to give, and will not give, any information or make any representation (written or oral) concerning the Shares except as set forth in the Offering Materials. NCPS agrees, and in its agreements with the Dealers will require that the Dealers agree, that the Offering Circular will be available to each investor to whom an offer is made prior to accepting a subscription agreement from such investor.

Except for the Authorized Sales Materials, the Company has not authorized the use of any supplemental literature or sales materials in connection with the Offering and NCPS agrees, and in its agreements with the Dealers NCPS will require the Dealers to agree, not to use any material unless it has been authorized by the Company and provided to NCPS or the Dealers by the Company. NCPS agrees, and in its agreements with the Dealers NCPS will require each Dealer to agree, that it will not show or give to any investor or prospective investor or reproduce any material or writing that is supplied to it by the Company and marked "broker-dealer use only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Shares to members of the public and such parties agree that they will not make such materials available through the Online Platform. NCPS agrees, and in its agreements with the Dealers NCPS will require each Dealer to agree, that it will not show or give to any investor or prospective investor in a particular jurisdiction, or make available to such investor through the Online Platform, any material or writing that is supplied to it by the Company if such material bears a legend denoting that it is not to be used in connection with the sale of Shares to members of the public in such jurisdiction. NCPS agrees, and in its agreements with the Dealers NCPS will require each Dealer to agree, that it will not use in connection with the offer or sale of Shares any material or writing that relates to another company supplied to it by the Company bearing a legend that states that such material may not be used in connection with the offer or sale of any securities of the Company.

- iii. NCPS will undertake due diligence of the Company and the Offering. Upon satisfactory completion of due diligence and subject to approval of the Offering by NCPS in its sole discretion, NCPS will accept the Offering and begin solicitation and participation in the Offering upon the terms set forth in this Agreement and pursuant to the Offering Circular.

3. Syndication and Submission of Orders.

- i. Each investor who wishes to purchase Shares in the Offering must complete, execute and submit to the Company a subscription agreement as mutually agreed upon by NCPS and the Company (each a "Subscription Agreement"). After an investor submits a Subscription Agreement in respect of the Offering, NCPS and the Company will have 20 days from receipt of such Subscription Agreement and all other documentation required pursuant to the Offering Circular to review and accept or reject (the "Acceptance Period") such purchase order ("Proposed Subscription"). If accepted by both the Company and NCPS, the Company shall notify the investor of such acceptance via the Online Platform (each, a "Subscribing Investor"). After the expiration of the Acceptance Period, if not accepted the order will be deemed rejected. If accepted and upon payment in full to the Company for the Shares, the Company will issue the applicable Shares to such Subscribing Investor unless Subscribing Investor withdraws such Proposed Subscription before it is accepted.
- ii. All orders received by NCPS, whether initial or additional, and whether solicited or unsolicited, are subject to acceptance by and shall only become effective upon confirmation by the Company as provided above. NCPS agrees, and in its agreements with the Dealers will require the Dealers to agree, that the Company, in its sole and absolute discretion, may accept or reject any subscription, in whole or in part, for any reason whatsoever, and no commissions will be paid to NCPS or the Dealers with respect to the portion of any subscription that is rejected. Orders not accompanied by a Subscription Agreement with the executed signature page and the required check or wire transfer or such other form of payment as agreed upon by the parties ("instruments of payment") in payment for the Shares may be rejected. Issuance and delivery of the Shares will

be made only after actual receipt of payment therefor. If any check is not paid upon presentment, or if the Company is not in actual receipt of clearinghouse funds or cash, certified or cashier's check or the equivalent in payment for the Shares, the Company reserves the right to cancel the sale without notice. In the event an order is rejected, canceled or rescinded for any reason, NCPS agrees to return to the Company any commissions theretofore paid with respect to such order within 30 days thereafter and, failing to do so, the Company shall have the right to offset amounts owed against future commissions due and otherwise payable to NCPS.

- iii. If the Company receives payment from an investor prior to NCPS's approval as provided in Section 3(i), the Company will not withdraw or otherwise access such funds until NCPS's approval is received. If a Proposed Subscription is rejected, the Company shall promptly return such funds to the investor.

4. **Compensation.**

- i. With respect to any Shares sold by and trades executed by NCPS during the term of this Agreement in the Offering pursuant to the terms of this Agreement, the Company agrees to pay NCPS in accordance with Exhibit A (the "Compensation Schedule") with respect to Shares sold in the Offering. All commissions shall be based on Shares sold by NCPS and accepted and confirmed by the Company, which commissions will be paid by the Company. For the avoidance of doubt, no selling commissions, dealer manager fees or other compensation shall be paid with respect to Shares sold through the Company's distribution reinvestment plan. For these purposes, a "sale of Shares" shall occur if and only if a transaction has closed with a subscriber for Shares pursuant to all applicable offering and subscription documents, payment for the Shares has been received by the Company in full in the manner provided in Section 3, and the Company has accepted the Subscription Agreement of such subscriber. The parties hereby agree that the foregoing commissions are not in excess of the usual and customary distributors' or sellers' compensation received in the sale of securities similar to the Shares, that Dealer Manager's interest in the Offering is limited to such commissions from the Company and Dealer Manager's indemnity referred to in Section 9 and that the Company is not liable or responsible for the direct payment of such commissions to the Dealer Manager. The Company will not be liable or responsible to any Dealer for direct payment of commissions to any Dealer, it being the sole and exclusive responsibility of the Dealer Manager for payment of commissions to Dealers. Notwithstanding the above, at the discretion of the Company, the Company may act as agent of the Dealer Manager by making direct payment of commissions to Dealers on behalf of the Dealer Manager without incurring any liability.
- ii. Payment of the commissions set forth on Exhibit A will be made by the Company to NCPS within the time frame set forth on Exhibit A. The Company, together with its transfer agent, shall be responsible for calculating such commissions. The Company shall provide NCPS with reasonable access to the records used to calculate such fees.
- iii. If any valued added or similar tax ("VAT") is chargeable in respect of any payments to NCPS, the Company shall be responsible for the payment (or reimbursement) of any VAT imposed on account of any payments to NCPS by or on behalf of the Company.

5. **Offering Expenses.** The Company shall not be obligated to pay or reimburse NCPS for any due diligence expenses, except as set forth in Exhibit A.

6. **Confirmation.** The Company hereby acknowledges that the Company has assumed the duty to confirm on behalf of NCPS all orders for purchases of Shares accepted by the Company.

7. **Representations, Warranties and Covenants of NCPS.** NCPS represents and warrants to the Company that:

- i. NCPS is registered, in good standing, and has obtained all approvals and licenses required to offer and sell the Shares and to conduct its business, including payment of all federal, state, and local taxes. NCPS represents and warrants to the Company that it is a properly registered or licensed broker-dealer, duly authorized to offer and sell Shares under federal securities laws and regulations, the securities laws and regulations of all states where it offers or sells Shares and

under the rules and regulations of FINRA or any other self-regulatory organization having jurisdiction over NCPS, and that it is a member of FINRA in good standing. This Agreement shall automatically terminate if NCPS ceases to be a member of FINRA in good standing or is subject to a FINRA suspension or if NCPS registration or license under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any state securities laws or regulations is terminated or suspended; NCPS agrees to notify the Company immediately if any of these events occur.

- ii. With respect to any investor which is an employee benefit plan covered by the Employee Retirement Income Security Act of 1974, neither NCPS nor any of its officers, directors, employees, affiliates or agents is a trustee or administrator of such plan or an employer of any employee covered by such plan.
- iii. With respect to any investor which is a state or municipal entity, (a) neither NCPS nor any of its officers, directors, employees, affiliates or agents has been within the past two years a civil servant or an elected official of such entity or has been retained to provide professional services to such entity and (b) neither NCPS nor any of its officers, directors, employees or agents will share any part of the fees received pursuant to this Agreement with any other person without the Company's prior written consent.
- iv. NCPS will use its best efforts to sell the Shares for cash on the terms and conditions set forth in this Agreement and the Offering Circular.
- v. Before the sale of any of the Shares, Dealer Manager shall, and in its agreements with the Dealers shall require the Dealers to:
 - (1) have reasonable grounds to believe that each subscriber is a "qualified purchaser" as that term is then defined in Regulation A of the Securities Act; and
 - (2) have sufficient information concerning the offeree to determine that the offeree has such knowledge and experience in financial and business matters that the offeree is capable of evaluating the merits and risks of an investment in the Company.
- vi. NCPS shall, and in its agreements with the Dealers shall require the Dealers to, make, before the sale of any of the Shares, reasonable inquiry to determine if the offeree is acquiring the Shares for offeree's own account or on behalf of other persons. This includes a determination by NCPS and the Dealer that the offeree understands that there is no public market for the Shares and that the offeree must bear the economic risk of the investment for an indefinite period of time.
- vii. Dealer Manager acknowledges that this Offering is being made pursuant to a Regulation A – Tier 2 offering promulgated under the Securities Act and that the Company is relying on a certification from Dealer Manager that each potential investor is a "qualified purchaser" as defined in Regulation A of the Securities Act. Such certification will be in a form acceptable to the Company and may be based upon each investor's attestation in subscription documents or other documentation collected by the Company or the Dealer Manager.
- viii. Shares shall not be sold by the Dealer Manager or any Dealer to any investor that is not believed to be a "qualified purchaser" as defined in Regulation A of the Securities Act.
- ix. Dealer Manager shall furnish to the Company upon request a complete list of all persons who have purchased the Shares and such persons' places of residence.
- x. The Dealer Manager represents that neither it, nor any of its directors, executive officers, general partners, managing members or other officers participating in the offering of Shares, nor any of the directors, executive officers or other officers participating in the offering of Shares of any such general partner or managing member, nor any other officers, employees or associated persons of the Dealer Manager or any such general partner or managing member that have been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Shares (each, a "Dealer Manager Covered Person" and, together, "Dealer Manager Covered Persons"), is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a

Disqualification Event (i) contemplated by Rule 506(d)(2) of the Securities Act and (ii) a description of which has been furnished in writing to the Company prior to the date hereof.

- x. In its agreements with the Dealers, the Dealer Manager will require the Dealers to represent that neither the Dealer, nor any of its directors, executive officers, general partners, managing members or other officers participating in the offering of Shares, nor any of the directors, executive officers or other officers participating in the offering of Shares of any such general partner or managing member, nor any other officers, employees or associated persons of the Dealer or any such general partner or managing member that have been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Shares (each, a "Dealer Covered Person" and, together, "Dealer Covered Persons"), is subject to any Disqualification Event except for a Disqualification Event (i) contemplated by Rule 506(d)(2) of the Securities Act and (ii) a description of which has been furnished in writing to the Dealer Manager prior to the date of the Selected Dealer Agreement between the Dealer Manager and such Dealer.
- xii. The Dealer Manager represents that it is not aware of any person (other than any Company Covered Person (as defined in Section 8(viii)), Dealer Manager Covered Person or Dealer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Shares. The Dealer Manager will notify the Company of any agreement entered into between the Dealer Manager and any such person in connection with such sale.
- xiii. The representations and warranties in subsections (x) through (xii) above are and shall be continuing representations and warranties throughout the term of the Offering. The Dealer Manager will notify the Company in writing promptly upon the occurrence of (i) any Disqualification Event relating to any Dealer Manager Covered Person not previously disclosed to the Company in accordance with subsection (x) above, and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Dealer Manager Covered Person.
- xiv. In its agreements with the Dealers, the Dealer Manager will require that the Dealers notify the Dealer Manager in writing promptly upon the occurrence of (i) any Disqualification Event relating to any Dealer Covered Person not previously disclosed to the Dealer Manager, and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Dealer Covered Person. The Dealer Manager will notify the Company in writing promptly upon receiving notification from any Dealer of the occurrence of any such event described in this paragraph.
- xv. The Dealer Manager acknowledges that, with respect to each Dealer Manager Covered Person and Dealer Covered Person, the Company is relying upon the representations, covenants and agreements of the Dealer Manager set forth in this Section 7 and the representations, covenants and agreements of the Dealers referred to in this Section 7 as procedures reasonably designed to ensure that the Company receives notice from each such Dealer Manager Covered Person or Dealer Covered Person of (i) any Disqualification Event relating to that Dealer Manager Covered Person or Dealer Covered Person, and (ii) any event that would, with the passage of time, become a Disqualification Event relating to that Dealer Manager Covered Person or Dealer Covered Person.
- xvi. The Dealer Manager shall provide, and in its agreements with the Dealers will require the Dealers to provide, to the Company such certifications, documentation and other information as reasonably requested from time to time by the Company as it deems necessary or advisable to carry out the exercise of reasonable care under the Securities Act, and to establish reasonable basis suitability under FINRA Rule 2111, in connection with this Offering.
- xvii. In connection with NCPS's participation in the offer and sale of Shares, NCPS represents, and in its agreements with the Dealers will require each Dealer to represent, that it has not published, distributed, issued, posted or otherwise used or employed, and shall not publish, distribute, issue, post or otherwise use or employ, any form of general solicitation or advertising within the meaning

of Rule 502 under the Securities Act (“General Solicitation”) other than the Authorized Sales Materials specifically approved by the Company for use as General Solicitation material.

- xviii. In connection with NCPS’s participation in the offer and sale of Shares (including, without limitation, all initial and additional subscriptions for Shares and any resales and transfers of Shares), NCPS will comply, and in its agreements with Dealers will require that the Dealers comply, with all requirements and obligations imposed upon any of them by (a) the Securities Act, the Exchange Act, and the rules and regulations of the SEC promulgated under both such acts; (b) all applicable state securities laws and regulations as from time to time in effect, including without limitation (upon notice thereof) any requirement imposed by a state securities administrator in connection with the registration of the Shares; (c) the applicable rules of FINRA, including, but not in any way limited to, FINRA Rule 2040, FINRA Rule 2090, FINRA Rule 2111, FINRA Rule 2121, FINRA Rule 5110 and FINRA Rule 5141; (d) all applicable rules and regulations relating to the suitability of investors, including, without limitation, Rule 251(d)(2)(i)(C) of Regulation A and the provisions of Articles III.C. and III.E of the Statement of Policy regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc. (the “NASAA Guidelines”); (e) any other state and federal laws and regulations applicable to the Offering, the sale of Shares or the activities of NCPS or the Dealers pursuant to this Agreement or the Selected Dealer Agreement, as applicable, including without limitation the privacy standards and requirements of state and federal laws, including the Gramm-Leach-Bliley Act of 1999, and the laws governing money laundering abatement and anti-terrorist financing efforts, including the applicable rules of the SEC and FINRA, the Bank Secrecy Act, as amended, the USA Patriot Act of 2001, and regulations administered by the Office of Foreign Asset Control at the Department of the Treasury; (f) this Agreement or the Selected Dealer Agreement, as applicable, and the Offering Circular as amended and supplemented; and (g) all federal and state laws and regulations relating to electronic delivery of prospectuses and offering circulars. NCPS agrees to notify the Company immediately if it becomes unable or fails to comply with the above. Upon becoming aware of such inability or failure, the Company may terminate this agreement immediately.
- xix. NCPS will not reallow or share any of the commissions that it receives pursuant to this Agreement with any person unless such person (a) is properly registered as a broker-dealer with the SEC and all states in which NCPS will offer the Shares, and possesses all other licenses, registrations and approvals required to receive such fee and is a member of FINRA in good standing, or (b) is otherwise permitted to receive commissions or payments under FINRA Rule 2040. Notwithstanding the foregoing, NCPS may pay commissions to any of its duly licensed registered representatives who participate in the distribution of the Offering or who effect a sale of Shares, or to any other party authorized to receive commissions under FINRA Rule 2040.
- xx. In its statements and meetings with prospective investors and investors, NCPS will not make, and in its agreements with the Dealers will require that the Dealers will not make, any misstatement of a material fact and will not omit any material fact necessary to make the statements therein not misleading.
- xxi. NCPS will comply, and in its agreements with the Dealers will require the Dealers to comply, in all respects with statements set forth in the Offering Circular, including subscription procedures and the plan of distribution.
- xxii. NCPS will not offer Shares, and in its agreements with the Dealers will require that the Dealers not offer Shares, in any jurisdiction unless and until (a) NCPS has been advised in writing by the Company that the Shares are either registered in accordance with, qualified under or exempt from, the securities laws of such jurisdiction and (b) NCPS and any Dealer offering Shares in such jurisdiction has all required licenses and registrations to offer Shares in that jurisdiction.
- xxiii. NCPS will, and in its agreements with the Dealers shall require each Dealer to agree that it will, immediately suspend or terminate its offer and sale of Shares upon the request of the Company at any time and will resume its offer and sale of Shares hereunder upon subsequent request of the Company. Further, NCPS agrees that it will immediately terminate any Selected Dealer Agreement upon the request of the Company.

- xxiv. This Agreement, when executed by NCPS, will have been duly authorized and will be a valid and binding agreement of NCPS, enforceable in accordance with its terms.
- xxv. NCPS will offer Shares, and in its agreements with the Dealers will require that the Dealers offer Shares (both at the time of an initial subscription and at the time of any additional subscription), only to persons who meet the financial qualifications and suitability standards set forth in the Offering Circular as amended or supplemented or in any suitability letter or memorandum sent to NCPS by the Company. Nothing contained in this Section 7(xxv) shall be construed to relieve NCPS of NCPS's suitability obligations under FINRA Rule 2111 or FINRA Rule 2310. NCPS shall not purchase any Shares for a discretionary account without obtaining the prior written approval of NCPS's customer and his or her signature on a subscription agreement.
- xxvi. NCPS agrees, and in its agreements with the Dealers will require the Dealers to agree, to comply with the record-keeping requirements imposed by (a) federal and state securities laws and the rules and regulations thereunder, (b) the applicable rules of FINRA and (c) the NASAA Guidelines, including the requirement to maintain records (the "Suitability Records") of the information used to determine that an investment in Shares is suitable and appropriate for each subscriber for a period of six years from the date of the sale of the Shares. NCPS further agrees, and in its agreements with the Dealers will require the Dealers to agree, to make the Suitability Records available to the Company upon request and to make them available to representatives of the SEC and FINRA and applicable state securities administrators upon NCPS's or such Dealer's receipt of a subpoena or other appropriate document request from such agency.
- xxvii. NCPS will provide, and in its agreements with the Dealers will require the Dealers to provide, the Company with such information relating to the offer and sale of the Shares by it as the Company may from time to time reasonably request or as may be requested to enable the Company to prepare such reports of sale as may be required to be filed under applicable federal or state securities laws and the rules and regulations thereunder.
- xxviii. NCPS represents and warrants to the Company and each owner, director, officer and employee thereof that the information under the caption "Plan of Distribution" in the Offering Circular and all other information furnished and to be furnished to the Company by NCPS in writing expressly for use in the Offering Circular, or any amendment or supplement thereto, does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.
- xxix. NCPS has submitted to FINRA (or will submit within one business day of the Company filing the Offering Circular with the SEC) a copy of the Offering Circular and any other related offering documents, including any materially amended versions thereof (the "FINRA Filing"). NCPS will update the FINRA Filing from time to time as necessary to comply with the terms of FINRA Rule 5110.
- xxx. The Dealer Manager hereby grants the Company (or its designee) and its designated representatives the right during the first twelve months of the term of this Agreement, but not the obligation, to audit and/or monitor the Dealer Manager's AML Program, the Dealer Manager's procedures to make suitability and know your customer determinations and/or the Dealer Manager's other procedures designed to comply with SEC or FINRA rules in connection with the Offering. Such right may be exercised upon reasonable notice to the Dealer Manager from the Company. In any such event, the Dealer Manager agrees to cooperate with the Company's auditing and monitoring of the Dealer Manager's AML Program and suitability, know your customer or other procedures by providing, upon request, (a) information, records, data and exception reports related to any investors purchasing Shares in the Company through the Dealer Manager and (b) access for the Company and/or its designee or designated representatives to meet with Dealer Manager personnel who are responsible for or involved in the development, implementation, oversight and/or maintenance of the Dealer Manager's AML Program and/or suitability, know your customer or other procedures, including, without limitation, Dealer Manager's compliance personnel. In the event that such documents or discussions with personnel reflect, in the opinion of the Company, a potential violation of the Dealer Manager's

anti-money laundering and customer identification (“AML”) obligations, suitability or know your customer obligations or other obligations, the Dealer Manager will permit the Company (or its designee) and designated representatives to further inspect relevant books and records, and have further discussions with relevant Dealer Manager personnel, related to investors purchasing Shares through the Dealer Manager, the Dealer Manager’s compliance with AML requirements and/or the Dealer Manager’s compliance with suitability, know your customer or other obligations. Neither this provision nor the Company’s exercise of its right pursuant to this Section 7(xxx) shall be construed to relieve the Dealer Manager’s AML, suitability, know your customer or other obligations under applicable laws, rules and regulations or as otherwise set forth in this Agreement or to impose liability for such matters upon the Company.

8. Representations and Warranties of the Company.

As an inducement to the Dealer Manager to enter into this Agreement, the Company represents and warrants to the Dealer Manager and to each Dealer that:

- i. The Company has been duly and validly organized and formed as a corporation under the laws of the State of Maryland, with the power and authority to conduct its business as described in the Offering Circular.
- ii. The Offering Circular with respect to the Offering has been prepared by the Company and has been or will promptly be filed with the SEC. The Company shall provide Dealer Manager prompt written notice of the filing of the Offering Circular (and any amendments or supplements thereto) in time so that the Dealer Manager may comply with its filing obligations to FINRA. The Offering Circular is or will become qualified prior to commencement of the Offering and does not contain any untrue statements of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided, however, that the foregoing provisions of this Section 8(ii) will not extend to such statements contained in or omitted from the Offering Circular that are primarily within the knowledge of the Dealer Manager or any of the Dealers. Copies of the Offering Circular and each amendment and supplement thereto have been or will be delivered to the Dealer Manager.
- iii. The Company intends to use the funds received from the sale of the Shares as set forth in the Offering Circular.
- iv. The Company has full legal right, power and authority to enter into this Agreement and to perform the transactions contemplated hereby, except to the extent that the enforceability of the indemnity provisions contained in Section 9 may be limited under applicable securities laws and to the extent that the enforceability of this Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws that affect creditors’ rights generally or by equitable principles relating to the availability of remedies.
- v. The execution and delivery of this Agreement, the consummation of the transactions contemplated herein and compliance with the terms of this Agreement by the Company will not conflict with or constitute a default or violation under any charter, bylaw, contract, indenture, mortgage, deed of trust, lease, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company, except to the extent that the enforceability of the indemnity provisions contained in Section 9 may be limited under applicable securities laws and to the extent that the enforceability of this Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws that affect creditors’ rights generally or by equitable principles relating to the availability of remedies.
- vi. No consent, approval, authorization or other order of any governmental authority is required in connection with the execution or delivery by the Company of this Agreement or the issuance and sale by the Company of the Shares, except as may be required under the Securities Act and the rules and regulations (the “Rules and Regulations”) of the SEC promulgated thereunder or under applicable state securities laws.

- vii. The Shares have been duly authorized and, when issued and sold as contemplated by the Offering Circular and upon payment therefor as provided in the Offering Circular and this Agreement, the Shares will be validly issued, fully paid and nonassessable and will conform to the description thereof contained in the Offering Circular.
- viii. None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the Offering, any beneficial owner (as that term is defined under Rule 13d-3 under the Exchange Act) of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, a "Company Covered Person" and, together, "Company Covered Persons") is subject to any Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. The Company has exercised, and during the term of the Offering will continue to exercise, reasonable care to determine whether any Company Covered Person, any Dealer Manager Covered Person and any Dealer Covered Person is subject to a Disqualification Event. The Company will immediately comply, to the extent applicable, with its disclosure obligations, and will immediately effect the preparation of an amended or supplemented Offering Circular that will contain any such required disclosure and will, at no expense to the Dealer Manager, promptly file with the SEC and furnish the Dealer Manager with such number of printed copies of such amended or supplemented Offering Circular containing any such required disclosure, including any exhibits thereto, as the Dealer Manager may reasonably request.
- ix. The Company is not aware of any person (other than any Company Covered Person, Dealer Manager Covered Person or Dealer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Shares.
- x. With respect to each Company Covered Person, the Company has established procedures reasonably designed to ensure that the Company receives notice from each such Company Covered Person of (a) any Disqualification Event relating to that Company Covered Person, and (b) any event that would, with the passage of time, become a Disqualification Event relating to that Company Covered Person.
- xi. The representations and warranties in Sections 8(viii) through Section 8(x) are and shall be continuing representations and warranties throughout the term of the Offering. The Company will promptly notify the Dealer Manager in writing upon becoming aware of any fact which makes any such representation or warranty untrue.

9. Indemnification.

- i. Subject to Section 9(iv) and the limitations below, the Company shall indemnify, defend and hold harmless the Dealers and the Dealer Manager, their affiliates and their employees, officers, directors, agents, advisors, representatives and each person, if any, who controls such Dealer or the Dealer Manager within the meaning of Section 15 of the Securities Act (collectively, the "Indemnified Persons") from and against any losses, claims, damages or liabilities, joint or several (collectively, the "Losses"), to which such Indemnified Persons may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained (i) in the Offering Circular or any amendment or supplement thereto or (ii) in any federal or state securities filing or other document executed by the Company or on its behalf specifically for the purpose of exempting any or all of the Shares from the registration requirements under the securities laws of any jurisdiction or based upon information furnished by the Company under the securities laws thereof (any such application, document or information being hereinafter called a "Filing"), or (iii) in any Authorized Sales Materials, (b) the omission or alleged omission to state in the Offering Circular or any amendment or supplement thereto, or in any Filing or Authorized Sales Materials, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, (c) any material violation of this Agreement, (d) any failure to comply with applicable laws, including laws governing privacy issues, money laundering abatement and anti-terrorist

financing efforts, (e) any other failure to comply with applicable rules of FINRA or federal or state securities laws and the rules and regulations promulgated thereunder or (f) the Dealer Manager acting as dealer manager and broker-dealer with respect to Shares sold in the states of Arizona and Oregon pursuant to the Company's dividend reinvestment plan under Form S-3 filed with the SEC. The Company will reimburse each Indemnified Person for any reasonable and documented legal or other reasonable and documented expenses reasonably incurred by such Indemnified Person in connection with investigating or defending such Loss.

Notwithstanding the foregoing provisions of this Section 9(i), the Company will not be liable in any such case to the extent that any such Loss or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished (x) to the Company by or on behalf of the Dealer Manager, or (y) to the Company or the Dealer Manager by or on behalf of any Dealer, specifically for inclusion in the Offering Circular or any such amendment or supplement thereto, any such Filing or any Authorized Sales Material; and further, the Company will not be liable in any such case if it is finally judicially determined that the Dealer Manager or the Dealer was at fault in connection with the Loss, expense or action, and if so, only to the extent of such fault.

The foregoing indemnity agreement of this Section 9(i) is subject to the further condition that, insofar as it relates to any untrue statement, alleged untrue statement, omission or alleged omission made in the Offering Circular (or amendment or supplement thereto) that was eliminated or remedied in any subsequent amendment or supplement thereto, such indemnity agreement shall not inure to the benefit of an Indemnified Person from whom the person asserting any Losses purchased the Shares that are the subject thereof, if a copy of the Offering Circular as so amended or supplemented was not sent or given to such person at or prior to the time the subscription of such person was accepted by the Company, but only if a copy of the Offering Circular as so amended or supplemented had been supplied to the Dealer Manager or the Dealer prior to such acceptance.

- ii. The Dealer Manager will indemnify and hold harmless the Company, the Dealers and their employees, officers and directors (including any persons named in the Offering Circular with his consent, as about to become a director), and each person, if any, who controls the Company or the Dealer within the meaning of Section 15 of the Securities Act (the "Dealer Manager Indemnified Persons"), and from and against any Losses to which any of the Dealer Manager Indemnified Persons may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions in respect thereof) arise out of or are based upon: (a) any untrue statement or alleged untrue statement of a material fact contained (i) in the Offering Circular or any amendment or supplement thereto, (ii) in any Filing or (iii) in any Authorized Sales Materials; (b) the omission or alleged omission to state in the Offering Circular or any amendment or supplement thereto, in any Filing or in any Authorized Sales Material, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, provided that clauses (a) and (b) apply to the extent, but only to the extent, that such untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Dealer Manager specifically for inclusion in the Offering Circular or any such amendment or supplement thereto, or any such Filing or Authorized Sales Materials; (c) any use of sales literature not authorized or approved by the Company or any use of "broker-dealer use only" materials with members of the public by the Dealer Manager in the offer and sale of the Shares or any use of sales literature in a particular jurisdiction if such material bears a legend denoting that it is not to be used in connection with the sale of Shares to members of the public in such jurisdiction; (d) any untrue statement made by the Dealer Manager or its representatives or agents or omission to state a fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of the Shares; (e) any material violation of this Agreement or the Selected Dealer Agreement entered into between the Dealer Manager and the Dealer; (f) any failure to comply with applicable laws, including laws governing privacy issues, money laundering abatement and anti-terrorist financing efforts, including applicable rules of the SEC, FINRA and the USA PATRIOT Act of 2001

and the regulations and programs administered by the OFAC at the U.S. Department of the Treasury; or (g) any other failure to comply with applicable rules of FINRA or federal or state securities laws and the rules and regulations promulgated thereunder; provided that the Dealer Manager will not be liable in any such case to the extent that any such Loss arises out of, or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished (x) to the Dealer Manager by or on behalf of the Company or (y) to the Company or the Dealer Manager by or on behalf of any Dealer specifically for use in the preparation of the Offering Circular or any Authorized Sales Materials or any such amendment thereof or supplement thereto. The Dealer Manager will reimburse the aforesaid parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending such Loss, expense or action. This indemnity agreement will be in addition to any liability that the Dealer Manager may otherwise have; provided that the collective aggregate liability of NCPS under or in connection with this Agreement under any legal or equitable theory shall be limited to the compensation actually received by Dealer Manager under this Agreement, the Prior Agreement and that certain Dealer Management Agreement, dated January 2, 2020, by and between the Parties (which was terminated by the Prior Agreement except as otherwise set forth therein, the "Original Agreement").

- iii. NCPS's agreements with Dealers will require each Dealer severally to indemnify and hold harmless the Company, the Dealer Manager and each of their employees, officers and directors (including any persons named in the Offering Circular with his consent, as about to become a director), and each person, if any, who controls the Company or the Dealer Manager within the meaning of Section 15 of the Securities Act (the "Dealer Indemnified Persons") from and against any Losses to which a Dealer Indemnified Person may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained (i) in the Offering Circular or any amendment or supplement thereto, (ii) in any Filing, or (iii) in any Authorized Sales Materials; (b) the omission or alleged omission to state in the Offering Circular or any such amendment or supplement thereto, in any Filing or in any Authorized Sales Materials, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, provided that clauses (a) and (b) apply to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or the Dealer Manager by or on behalf of the Dealer specifically for inclusion in the Offering Circular or any such amendment or supplement thereto or any such Filing or Authorized Sales Materials; (c) any use of sales literature not authorized or approved by the Company or any use of "broker-dealer use only" materials with members of the public by the Dealer in the offer and sale of the Shares or any use of sales literature in a particular jurisdiction if such material bears a legend denoting that it is not to be used in connection with the sale of Shares to members of the public in such jurisdiction; (d) any untrue statement made by the Dealer or its representatives or agents or omission to state a fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of the Shares; (e) any material violation of this Agreement or the Selected Dealer Agreement entered into between the Dealer Manager and Dealer; (f) any failure to comply with applicable laws, including laws governing privacy issues, money laundering abatement and anti-terrorist financing efforts, including applicable rules of the SEC, FINRA and the USA PATRIOT Act of 2001 and the regulations and programs administered by the OFAC at the U.S. Department of the Treasury; or (g) any other failure to comply with applicable rules of FINRA or federal or state securities laws and the rules and regulations promulgated thereunder; provided that the Dealer will not be liable in any such case to the extent that any such Loss arises out of, or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished (x) to the Dealer by or on behalf of the Company or (y) to the Company or the Dealer by or on behalf of any Managing Dealer specifically for use in the preparation of the Offering Circular or any Authorized Sales Materials or any such amendment thereof or supplement thereto. The Dealer will reimburse each Dealer Indemnified Person for any

legal or other expenses reasonably incurred by them in connection with investigating or defending any such Loss, expense or action. This indemnity agreement will be in addition to any liability that Dealer may otherwise have.

- iv. Notwithstanding the foregoing, the Company may not indemnify or hold harmless the Dealer Manager, any Dealer or any of their affiliates in any manner that would be inconsistent with the provisions of the Company's charter in effect as of the date of this Dealer Manager Agreement or Section II.G. of the Statement of Policy Regarding Real Estate Investment Trusts of the North American Securities Administrators Association.
 - v. Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action (but in no event in excess of 60 days after receipt of actual notice), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 9, notify in writing the indemnifying party of the commencement thereof. The failure of an indemnified party to so notify the indemnifying party will relieve such indemnifying party from any liability under this Section 9 as to the particular item for which indemnification is then being sought, but not from any other liability that it may have to any indemnified party. In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any other indemnifying party similarly notified, to participate in the defense thereof, with separate counsel. Such participation shall not relieve such indemnifying party of the obligation to reimburse the indemnified party for reasonable legal and other expenses (subject to Section 9(v)) incurred by such indemnified party in defending itself, except for such expenses incurred after the indemnifying party has deposited funds sufficient to effect the settlement, with prejudice, of the claim in respect of which indemnity is sought. Any such indemnifying party shall not be liable to any such indemnified party on account of any settlement of any claim or action effected without the consent of such indemnifying party. Any indemnified party shall not be bound to perform or refrain from performing any act pursuant to the terms of any settlement of any claim or action effected without the consent of such indemnified party.
 - vi. The indemnifying party shall pay all legal fees and expenses of the indemnified party in the defense of such claims or actions for which indemnification is sought pursuant to this Section 9; provided, however, that the indemnifying party shall not be obligated to pay legal expenses and fees to more than one law firm in connection with the defense of similar claims arising out of the same alleged acts or omissions giving rise to such claims notwithstanding that such actions or claims are alleged or brought by one or more parties against more than one indemnified party. If such claims or actions are alleged or brought against more than one indemnified party, then the indemnifying party shall only be obliged to reimburse the expenses and fees of the one law firm that has been selected by a majority of the indemnified parties against which such action is finally brought; and in the event a majority of such indemnified parties is unable to agree on which law firm for which expenses or fees will be reimbursable by the indemnifying party, then payment shall be made to the first law firm of record representing an indemnified party against the action or claim. Such law firm shall be paid only to the extent of services performed by such law firm and no reimbursement shall be payable to such law firm on account of legal services performed by another law firm.
10. **Compliance with this Agreement.** Each of the Company and NCPS, on request of the other, agrees to provide reasonable assurances (including written representations) of its compliance with the terms of this Agreement and, in order to verify such compliance, reasonable access to any documents in its possession referring or relating to any investor or prospective investor (whether or not such investor invests in the Offering of the Company).
 11. **Agreement not Exclusive.** The parties acknowledge and agree that this is not an exclusive agreement. Without limiting the foregoing sentence, NCPS may render solicitation services of the kind contemplated herein for persons other than the Company.
 12. **Customer Complaints.** Each party agrees to promptly provide to the other party copies of any written or otherwise documented complaints from customers of NCPS received by such party relating

in any way to the Offering (including, but not limited to, the manner in which the Shares are offered by NCPS).

13. **Remedies.** Subject to the restrictions in the Company's charter, as amended, nothing contained in this Agreement will limit a party's right to any other remedies at law or in equity. In any litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort, or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party will be awarded its reasonable attorneys' fees, and costs and expenses incurred, subject to the restrictions in the Company's charter, as amended. All rights and remedies of the Company herein will be in addition to all other rights and remedies available at law or in equity, including, without limitation, specific performance and temporary and permanent injunctive relief. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.
14. **Confidentiality.** In connection with NCPS's due diligence review of the Offering, NCPS (or its agent performing due diligence) may request receipt of confidential information regarding the Offering, the Company, the Company's sponsor or the sponsor's affiliates. The Company will reasonably cooperate with NCPS to accommodate such request; provided, however, any such information provided to NCPS or its agent will continue to be subject to the terms of the confidentiality agreement attached as Appendix A to the Original Agreement (which was terminated by the Prior Agreement except with reference to such appendix and as otherwise set forth in the Prior Agreement).
15. **Termination.** Subject to Section 7(i) and Section 7(xviii), this Agreement may be terminated by either party at any time upon the provision of 30 days' prior written notice thereof to the other. If not sooner terminated, the Dealer Manager's agency and this Agreement shall terminate, and all Selected Dealer Agreements shall terminate, at the close of business on the effective date that the Offering is terminated without obligation on the part of the Dealer Manager or the Company, except as set forth in this Agreement or the Selected Dealer Agreements, as applicable. Upon termination of this Agreement, (a) the Company shall pay to NCPS all earned but unpaid compensation at such times as such amounts become payable in accordance with the terms hereunder, and (b) the Dealer Manager will promptly deliver to the Company all records and documents in its possession or control that relate to the Offering and that are not designated as "dealer" copies. The Dealer Manager shall use commercially reasonable efforts to cooperate with the Company to accomplish an orderly transfer of management of the Offering to a party designated by the Company.
16. **Publicity.** NCPS shall not engage in any press release, announcement, interview, or other publicity regarding the Offering without the Company's prior written consent.
17. **Changes to Applicable Law.** To the extent that the existing law relating to this Agreement changes, and such change affects this Agreement, the parties will use reasonable efforts to negotiate and reform the affected portion of this Agreement to comply with the change.
18. **Disputes.** In the unlikely event that a dispute arises concerning any provision of this Agreement, the parties will work together in good faith to resolve the matter internally by elevating the matter to higher levels of management. If the dispute remains unresolved, the Company and NCPS hereby acknowledge and agree that venue for any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement shall lie exclusively in New York, New York.
19. **Governing Law.** This Agreement will be construed in accordance with the laws of Delaware; provided, however, that the governing law for causes of action for violations of federal or state securities law shall be governed by the applicable federal or state securities law.
20. **Attorneys' Fees and Costs.** Except as provided otherwise in Section 9, in any arbitration, litigation, or other proceeding, informal or formal, by which one party either seeks to enforce this Agreement or seeks a declaration of any rights or obligations under this Agreement, the non-prevailing party will pay the prevailing party's costs and expenses, including but not limited to, reasonable attorneys' fees.

21. **Compliance with Laws; Policies and Procedures.** All parties agree to comply with all applicable federal, state, and local laws, executive orders and regulations issued, where applicable.
22. **Cooperation.** Where agreement, approval, acceptance, consent or similar action by either party hereto is required by any provision of this Agreement, such action will not be unreasonably delayed or withheld. Each party will cooperate with the other by, among other things, making available, as reasonably requested by the other, management decisions, information, approvals, and acceptances in order that each party may properly accomplish its obligations and responsibilities hereunder.
23. **Force Majeure; Excused Performance.** Neither party will be liable for delays or any failure to perform under this Agreement due to causes beyond its reasonable control. Such delays include, but are not limited to, fire, explosion, pandemic, flood or other natural catastrophe, governmental legislation, acts, orders, or regulation, strikes or labor difficulties, to the extent not occasioned by the fault or negligence of the delayed party. Any such excuse for delay will last only as long as the event remains beyond the reasonable control of the delayed party. However, the delayed party will use its best efforts to minimize the delays caused by any such event beyond its reasonable control.
24. **No Waiver.** The failure of either party at any time to require performance by the other party of any provision of this Agreement will in no way affect that party's right to enforce such provisions, nor will the waiver by either party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision.
25. **Notices.** All notices, requests, consents, claims, demands, waivers and other communications under this Agreement have binding legal effect only if in writing to the address set forth below, or as changed through written notice to the other Party. Notices sent in accordance with this Section 25 will be deemed effectively given: (a) when received, if delivered by hand, with signed confirmation of receipt; (b) when received, if sent by a nationally recognized overnight courier, signature required; (c) on the third day after the date mailed by certified or registered mail, return receipt requested, postage prepaid; or (d) by email (with delivery confirmation). In addition, the Company and NCPS consent to the receipt of notices electronically via email.
- To the Company: Modiv Inc.
120 Newport Center Drive
Newport Beach, California 92660
Email: halfacre@modiv.com
rpacini@modiv.com
jraney@modiv.com
- To NCPS: North Capital Private Securities Corporation
623 E. Fort Union Boulevard, Suite 101
Midvale, Utah 84047
Email: jdowd@northcapital.com
stomasetti@northcapital.com
gnelson@northcapital.com
26. **Assignment of Agreement.** This Agreement and the obligations of each party hereunder are personal to such party. Neither party nor any successor, receiver, or assignee of such party will directly or indirectly assign this Agreement or the rights or duties created by this Agreement, whether such assignment is effected in connection with a sale of such party's assets or stock or through merger, an insolvency proceeding or otherwise, without the prior written consent of the other parties.
27. **Counterparts; Facsimile.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same Agreement. The parties agree that a facsimile signature may substitute for and have the same legal effect as the original signature.
28. **Entire Agreement.** This Agreement and its attached exhibit constitute the entire agreement between the parties and supersede any and all previous representations, understandings, or agreements between the Company and NCPS as to the subject matter hereof. This Agreement may only be

amended by an instrument in writing signed by the parties. This Agreement will be construed without regard to the party that drafted it. Any ambiguity will not be interpreted against either party and will, instead, be resolved in accordance with other applicable rules concerning the interpretation of contracts. Unless otherwise stated, any section, exhibit or appendix reference shall be to a section, exhibit or appendix in this Agreement.

29. **Privacy Laws.** The Company and NCPS (each referred to individually in this Section 29 as a “party”) agree, and in its agreements with Dealers will require the Dealers to agree, as follows:
- i. Each party agrees to abide by and comply in all respects with (a) the privacy standards and requirements of the Gramm-Leach-Bliley Act of 1999 (“GLBA”) and applicable regulations promulgated thereunder, (b) the privacy standards and requirements of any other applicable federal or state law, including the Fair Credit Reporting Act (“FCRA”) and (c) its own internal privacy policies and procedures, which are no less rigorous than accepted industry standard policies and procedures, each as may be amended from time to time.
 - ii. NCPS and the Dealers shall not disclose nonpublic personal information (as defined under the GLBA) of all customers who have opted out of such disclosures, except to service providers (when necessary and as permitted under the GLBA) or as otherwise required by applicable law;
 - iii. Except as expressly permitted under the FCRA, NCPS and the Dealers shall not disclose any information that would be considered a “consumer report” under the FCRA;
 - iv. NCPS and the Dealers shall be responsible for determining which customers have opted out of the disclosure of nonpublic personal information by periodically reviewing and, if necessary, retrieving a list of such customers (the “List”) to identify customers that have exercised their opt-out rights. In the event either party expects to use or disclose nonpublic personal information of any customer for purposes other than servicing the customer, or as otherwise required by applicable law, that party must first consult the List to determine whether the affected customer has exercised his or her opt-out rights. Each party understands that it is prohibited from using or disclosing any nonpublic personal information of any customer that is identified on the List as having opted out of such disclosures.
 - v. Each Party shall: (a) comply with all applicable requirements of the CCPA (as defined below), when collecting, using, retaining or disclosing personal information; (b) limit personal information collection, use, retention and disclosure to activities reasonably necessary and proportionate to the performance of this Agreement or other compatible operational purpose; (c) only collect, use, retain or disclose personal information collected in connection with this Agreement; (d) not collect, use, retain, disclose, sell or otherwise make personal information available for such Party’s own commercial purposes or in a way that does not comply with the CCPA as applicable to such Party; (e) promptly comply with another Party’s request or instruction requiring such Party to provide, amend, transfer or delete the personal information, or to stop, mitigate, or remedy any unauthorized processing; (f) reasonably cooperate and assist another Party in meeting any compliance obligations and responding to related inquiries, including responding to verifiable consumer requests, taking into account the nature of such Party’s processing and the information available to such Party; and (g) notify each other Party immediately if it receives any complaint, notice or communication that directly or indirectly relates to any Party’s compliance in connection with this Agreement. For purposes of this Agreement, “CCPA” means the California Consumer Privacy Act of 2018, as amended (Cal. Civ. Code §§ 1798.100 to 1798.199), and any related regulations or guidance provided by the California Attorney General.
 - vi. The provisions of this Section 29 shall survive the termination of this Agreement.
30. **Survival of Representations and Warranties.** Except as the context otherwise requires, all representations, warranties and agreements contained in this Agreement shall be deemed to be representations, warranties and agreements at and through the Offering termination date, and such representations, warranties and agreements, the indemnification provisions contained in Section 9, Sections 18-20 and this Section 30 shall remain operative and in full force and effect and shall survive the sale of, and payment for, the Shares and the termination of this Agreement.

31. **Anti-Money Laundering Compliance Programs.** NCPS's acceptance of this Agreement constitutes a representation to the Company that NCPS has established and implemented an anti-money laundering and customer identification compliance program ("AML Program") in accordance with applicable laws and regulations, including federal and state securities laws, applicable rules of FINRA, and the Bank Secrecy Act, Title 31 U.S.C. Sections 5311-5355, as amended by the USA Patriot Act of 2001, and related regulations (31 C.F.R. Part 103), and will continue to maintain its AML Program consistent with applicable laws and regulations during the term of this Agreement. In accordance with these applicable laws and regulations and its AML Program, NCPS agrees to verify the identity of its new customers; to maintain customer records; to check the names of new customers against government watch lists, including the Office of Foreign Asset Control's ("OFAC") list of Specially Designated Nationals and Blocked Persons. Additionally, NCPS will monitor account activity to identify patterns of unusual size or volume, geographic factors and any other "red flags" described in the USA Patriot Act as potential signals of money laundering or terrorist financing. NCPS will submit to the Financial Crimes Enforcement Network any required suspicious activity reports about such activity and further will disclose such activity to applicable federal and state law enforcement when required by law. Upon request by the Company at any time, NCPS hereby agrees to furnish (a) a copy of its AML Program to the Company for review, and (b) a copy of the findings and any remedial actions taken in connection with NCPS's most recent independent testing of its AML Program.
32. **No Partnership.** Nothing in this Agreement shall be construed or interpreted to constitute the Dealer Manager as in association with or in partnership with the Company; instead, this Agreement shall only constitute the Dealer Manager as a dealer authorized by the Company to sell and to manage the sale by others of the Shares according to the terms set forth in the Offering Circular as amended or supplemented and in this Agreement.
33. **Fiduciary Matters.** The Dealer Manager acknowledges and agrees, and in its agreements with the Dealers will require the Dealers to acknowledge and agree, as follows:
- i. The Company and its affiliates and related parties (collectively, the "Issuer Parties") may engage in sales and marketing activities with the Dealer Manager and the Dealers. These activities may include, without limitation, attending meetings, conferences and forums, as well as making offering materials, sales literature, educational materials and other resources available in connection with sales and marketing activities regarding the Company to the Dealer Manager, the Dealers and their respective affiliates.
 - ii. With respect to any of the Dealer Manager's or the Dealer's customers which is a plan, plan fiduciary, plan participant or beneficiary, individual retirement account ("IRA") or IRA owner subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (collectively, "Retirement Customers"), the Issuer Parties are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with any transaction in the Company ("Transaction").
 - iii. Certain of the Issuer Parties have financial interests associated with the purchase of Shares, including the fees, expense reimbursements and other payments they anticipate receiving in connection with the purchase of Shares, as described in the Offering Circular.
 - iv. The Issuer Parties are not receiving a fee or other compensation directly from the Dealer Manager, the Dealer or any of their Retirement Customers for the provision of investment advice (as opposed to other services) in connection with any Transaction.
 - v. By continuing to advise the Dealer Manager's or the Dealer's Retirement Customers with respect to any Transaction in the Company, the Dealer Manager and the Dealer, as applicable, represents and warrants that:
 - (a) The Dealer Manager or the Dealer, as applicable, is either (a) a broker dealer registered under the Exchange Act, (b) a "bank" as defined in section 202 of the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency, (c) an investment adviser registered under the Advisers Act, or if not so

registered by reason of paragraph 1 of Section 203A of the Advisers Act, an investment adviser registered under the laws of the State in which the Dealer Manager or Dealer, as applicable, maintains its principal office and place of business or (d) an independent fiduciary that has a least \$50 million in total assets under management or control;

- (b) There is no financial interest, ownership interest, or other relationship, agreement, or understanding that would limit the Dealer Manager's or the Dealer's ability to carry out its fiduciary responsibility to any of its Retirement Customers beyond the control, direction, or influence of other persons involved in the Transaction;
- (c) The Dealer Manager and the Dealer, as applicable, is capable of evaluating investment risk independently, both in general and with regard to particular transactions and investment strategies; and
- (d) The Dealer Manager or the Dealer, as applicable, is a fiduciary under ERISA or the Code, or both, with respect to the Transaction, and the Dealer Manager or the Dealer, as applicable, is responsible for exercising independent judgment in evaluating the Transaction, with respect to its Retirement Customers.

[Signatures appear on following page(s).]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

MODIV INC.

By: /s/ AARON S. HALFACRE

Name: Aaron S. Halfacre

Title: Chief Executive Officer

Date: _____

Address: 120 Newport Center Drive
Newport Beach, California 92660

Email: halfacre@modiv.com; rpacini@modiv.com;
jraney@modiv.com

NORTH CAPITAL PRIVATE SECURITIES CORPORATION

By: /s/ JAMES P. DOWD

James P. Dowd, President and Chief Executive Officer

Date: _____

Address: 623 E. Fort Union Boulevard, Suite 101
Midvale, Utah 84047

Email: jdowd@northcapital.com; gnelson@northcapital.com

Exhibit A

Compensation Schedule

The Company shall pay to the Dealer Manager the following amounts pursuant to Section 4:

- a. a monthly fee of \$9,500 per month until the cumulative, aggregate dollar amount of sales (inclusive of sales under the Prior Agreement and the Original Agreement) in the Offering is \$25,000,000; and
- b. thereafter, 50.0 basis points on the aggregate dollar amount of shares sold in excess of \$25,000,000 once the cumulative, aggregate sales (inclusive of sales under the Prior Agreement and the Original Agreement) in the Offering exceed \$25,000,000, such amounts to be paid monthly based on the prior month's closings.

In addition, the Company shall reimburse the Dealer Manager reasonable and documented out-of-pocket expenses incurred to update its requisite background checks in connection with the Offering (estimated at \$450 annually) and any other reasonable, documented out-of-pocket expenses approved by the Company capped at \$10,000.

*The fees payable under this Agreement, plus the other relevant fees attributable to a public offering, shall be capped at an aggregate amount not to exceed as permitted by applicable FINRA rules.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron S. Halfacre, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the registrant, Modiv Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ AARON S. HALFACRE

Name: Aaron S. Halfacre
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Raymond J. Pacini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the registrant, Modiv Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ RAYMOND J. PACINI

Name: Raymond J. Pacini
Title: Chief Financial Officer
(Principal Financial Officer)